DowLohnes

September 27, 2007

VIA ELECTRONIC FILING

Marlene H. Dortch, Esquire
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notification of Ex Parte Communication
MB Docket Nos. 06-121 and 02-277
MM Docket Nos. 01-235, 01-317, and 00-244

Dear Ms. Dortch:

This letter is filed in accordance with Section 1.1206 of the FCC's rules to report that the following materials were provided today to Rosemary Harold, Deputy Chief of the Media Bureau, via hand delivery:

-- Copies of articles entitled "Who killed the newspaper?," "When the spinning has to stop," and "More media, less news" from the August 26th-September 1st, 2006 issue of *The Economist* magazine (copies of which are attached); and

-- Copies of articles entitled "Person of the Year," "Power to the People," "Your Web, Your Way," "The Beast with a Billion Eyes," "The YouTube Gurus," "Web Boom 2.0," "My So-Called Second Life," "Enough About You," and "It's All About Us" from the December 25, 2006/January 1, 2007 issue of *Time* magazine (copies of which are attached).

As required by Section 1.1206(b), as modified by the policies applicable to electronic filings, one electronic copy of this letter is being submitted for each above-referenced docket.

Very truly yours,

M. Anne Swanson

Attachments

The Economist

www.economist.com

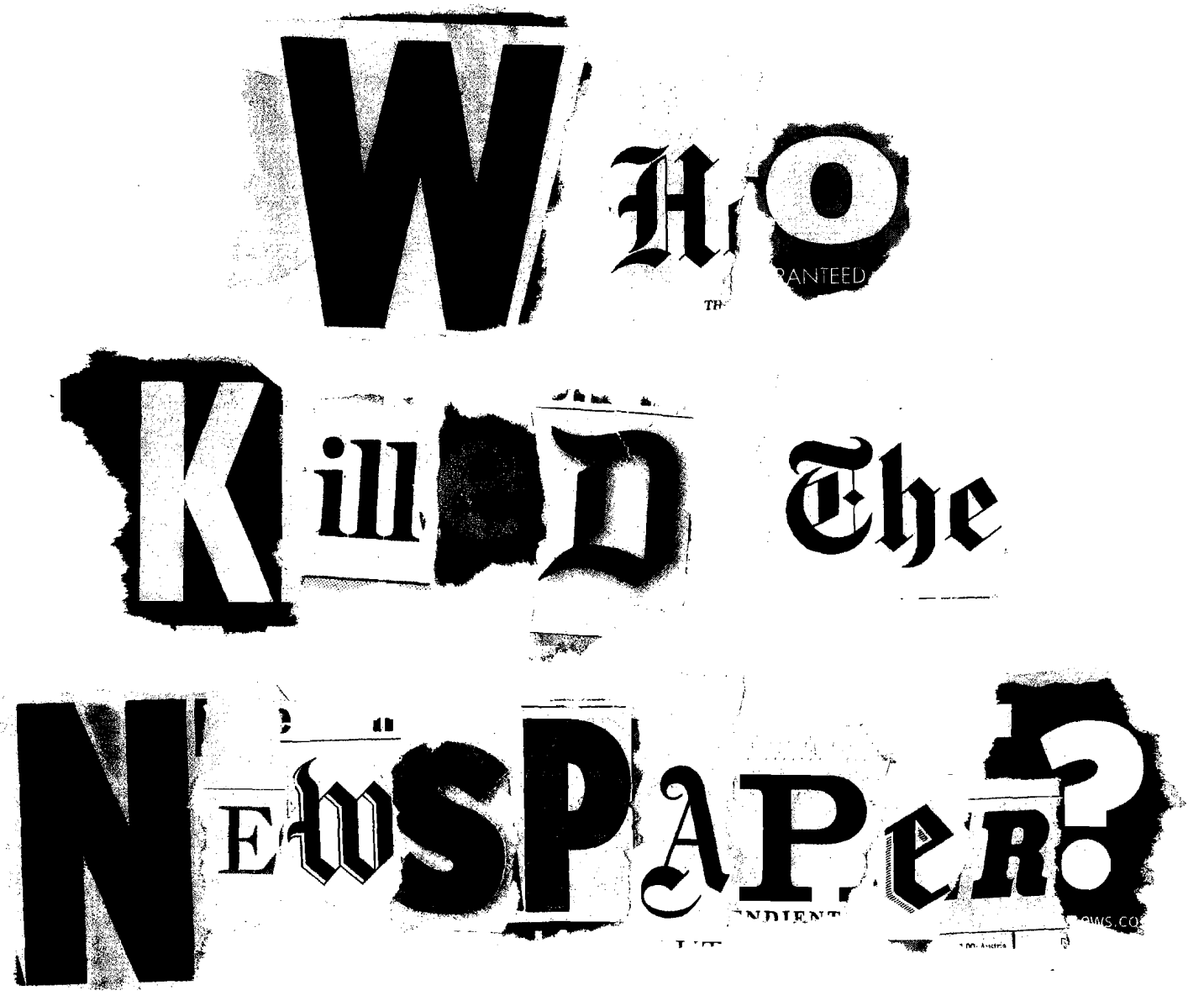
Alaska, America's welfare state

Finding Iran's spin cycle

Has America's housing bubble burst?

The limits of subsidies

A step forward for stem cells



Who killed the newspaper?

The most useful bit of the media is disappearing. A cause for concern, but not for panic

"A GOOD newspaper, I suppose, is a nation talking to itself," mused Arthur Miller in 1961. A decade later, two reporters from the *Washington Post* wrote a series of articles that brought down President Nixon and the status of print journalism soared. At their best, newspapers hold governments and companies to account. They usually set the news agenda for the rest of the media. But in the rich world newspapers are now an endangered species. The business of selling words to readers and selling readers to advertisers, which has sustained their role in society, is falling apart (see pages 52-54).

Of all the "old" media, newspapers have the most to lose from the internet. Circulation has been falling in America, western Europe, Latin America, Australia and New Zealand for decades (elsewhere, sales are rising). But in the past few years the web has hastened the decline. In his book "The Vanishing Newspaper", Philip Meyer calculates that the first quarter of 2043 will be the moment when newsprint dies in America as the last exhausted reader tosses aside the last crumpled edition. That sort of extrapolation would have produced a harrumph from a Beaverbrook or a Hearst, but even the most cynical news baron could not dismiss the way that ever more young people are getting their news online. Britons aged between 15 and 24 say they spend almost 30% less time reading national newspapers once they start using the web.

Up to a podcast, Lord Copper?

Advertising is following readers out of the door. The rush is almost unseemly, largely because the internet is a seductive medium that supposedly matches buyers with sellers and proves to advertisers that their money is well spent. Classified ads, in particular, are quickly shifting online. Rupert Murdoch, the Beaverbrook of our age, once described them as the industry's rivers of gold—but, as he said last year, "Sometimes rivers dry up." In Switzerland and the Netherlands newspapers have lost half their classified advertising to the internet.

Newspapers have not yet started to shut down in large numbers, but it is only a matter of time. Over the next few decades half the rich world's general papers may fold. Jobs are already disappearing. According to the Newspaper Association of America, the number of people employed in the industry fell by 18% between 1990 and 2004. Tumbling shares of listed newspaper firms have prompted fury from investors. In 2005 a group of shareholders in Knight Ridder, the owner of several big American dailies, got the firm to sell its papers and thus end a 114-year history. This year Morgan Stanley, an investment bank, attacked the New York Times Company, the most august journalistic institution of all, because its share price had fallen by nearly half in four years.

Having ignored reality for years, newspapers are at last doing something. In order to cut costs, they are already spending less on journalism. Many are also trying to attract younger readers by shifting the mix of their stories towards entertainment, lifestyle and subjects that may seem more relevant to people's daily lives than international affairs and politics are. They are trying to create new businesses on- and offline. And they are investing in free daily papers, which do not use up any of their meagre editorial resources on uncovering political corruption or corporate fraud. So far, this fit of activity looks unlikely to save many of them. Even if it does, it bodes ill for the public role of the Fourth Estate.

Getting away with murder

In future, as newspapers fade and change, will politicians therefore burgle their opponents' offices with impunity, and corporate villains whoop as they trample over their victims? Journalism schools and think-tanks, especially in America, are worried about the effect of a crumbling Fourth Estate. Are today's news organisations "up to the task of sustaining the informed citizenry on which democracy depends?" asked a recent report about newspapers from the Carnegie Corporation of New York, a charitable research foundation.

Nobody should relish the demise of once-great titles. But the decline of newspapers will not be as harmful to society as some fear. Democracy, remember, has already survived the huge television-led decline in circulation since the 1950s. It has survived as readers have shunned papers and papers have shunned what was in stuffier times thought of as serious news. And it will surely survive the decline to come.

That is partly because a few titles that invest in the kind of investigative stories which often benefit society the most are in a good position to survive, as long as their owners do a competent job of adjusting to changing circumstances. Publications like the *New York Times* and the *Wall Street Journal* should be able to put up the price of their journalism to compensate for advertising revenues lost to the internet—especially as they cater to a more global readership. As with many industries, it is those in the middle—neither highbrow, nor entertainingly populist—that are likeliest to fall by the wayside.

The usefulness of the press goes much wider than investigating abuses or even spreading general news; it lies in holding governments to account—trying them in the court of public opinion. The internet has expanded this court. Anyone looking for information has never been better equipped. People no longer have to trust a handful of national papers or, worse, their local city paper. News-aggregation sites such as Google News draw together sources from around the world. The website of Britain's *Guardian* now has nearly half as many readers in America as it does at home.

In addition, a new force of "citizen" journalists and bloggers is itching to hold politicians to account. The web has opened the closed world of professional editors and reporters to anyone with a keyboard and an internet connection. Several companies have been chastened by amateur postings—of flames erupting from Dell's laptops or of cable-TV repairmen asleep on the sofa. Each blogger is capable of bias and slander, but, taken as a group, bloggers offer the searcher after truth boundless material to chew over. Of course, the internet panders to closed minds; but so has much of the press. »

For hard-news reporting—as opposed to comment—the results of net journalism have admittedly been limited. Most bloggers operate from their armchairs, not the frontline, and citizen journalists tend to stick to local matters. But it is still early days. New online models will spring up as papers retreat. One non-profit group, NewAssignment.Net, plans to combine the work of amateurs and professionals to produce investigative stories on the internet. Aptly, $10,000 of cash for the project has come from Craig Newmark, of Craigslist, a group of free classified-advertisement websites that has probably done more than anything to destroy newspapers' income.

In future, argues Carnegie, some high-quality journalism will also be backed by non-profit organisations. Already, a few respected news organisations sustain themselves that way—including the *Guardian*, the *Christian Science Monitor* and National Public Radio. An elite group of serious newspapers available everywhere online, independent journalism backed by charities, thousands of fired-up bloggers and well-informed citizen journalists: there is every sign that Arthur Miller's national conversation will be louder than ever. ■

Iran's nuclear ambitions

When the spinning has to stop

If Iran won't end enrichment, sanctions should follow

EVEN after the ferocious fighting performance of its Hizbullah ally against Israel, Iran is unloved in much of the Middle East. But its influence is on the rise. And it seems determined that the influence will in future be nuclear-powered. While offering America, Britain, France, Germany, Russia and China "serious talks"—the six were this week studying its 21-page reply to their June proposals for ending the nuclear stand-off—Iran blows raspberry after raspberry at the International Atomic Energy Agency (IAEA), which serves as the United Nations nuclear guardian, and at the UN Security Council.

The council demanded last month that Iran should stop its uranium enrichment and work related to plutonium production by August 31st, or face sanctions. Iran has refused. But it has a suggestion: if it is ready for talks, why not put off sanctions and see what talks might achieve, even if some enrichment work continues? Iran is hoping that Russia and China, which have protected it in the past, will argue for the council's end-of-month deadline to be postponed (see page 35). The council should resist this pitch. It was right to draw the line against enrichment, and should stick to its timetable.

Keeping the lights on, or making a bomb

Iran dismisses last month's UN resolution as "illegal", claiming that it has an "inalienable right" under the Nuclear Non-Proliferation Treaty (NPT) to peaceful nuclear technology—and keeping the lights on, it claims, is all it intends. The effort to prevent it making uranium and plutonium, it insists, is just a dastardly Western plot to block developing countries' access to advanced technology.

The facts of the case are rather different. Although both materials can be used in generating civilian nuclear power, they can also be abused for making bombs. The NPT lets signatories enjoy the benefits of civilian nuclear technology, but only provided they observe its ban on seeking nuclear weapons and put their nuclear activities under IAEA safeguards. For 18 years until 2003 Iran lied to inspectors in order to cover up illicit nuclear experiments. Some fibs have continued. Despite more than three years of investigation, inspectors believe Iran is still withholding crucial information about how much enrichment equipment it bought on the nuclear black market and what it has done with it. The IAEA's 35-nation board eventually had no choice but to find Iran in non-compliance with its safeguards agreement and to send its case to the Security Council, hoping for UN backing in winkling out the facts.

Iran rejected the council's first polite request to suspend its troubling enrichment activities until the inspectors' work was completed. So last month the council voted to demand that Iran comply, threatening sanctions if it refused. That resolution had the backing not just of America and its European allies on the council, but of veto-capable Russia and China too.

Drawing the line

And the reason so many countries appear to be "ganging up" on Iran? It is not just its years of safeguards-abuse, but the nature of some of the experiments it concealed, which have little point except as part of a bomb-building effort. There have also been indications of direct military involvement in Iran's nuclear dabbling, and of design work on missile cones capable of carrying a nuclear warhead. The best way for Iran to refute these allegations and build confidence in its professed peaceful intent would be to suspend its enrichment work and co-operate as fully as possible with the IAEA's inspectors. Instead, it has done the opposite: as their questions have become more pointed, Iran has redoubled its enrichment efforts and restricted the inspectors' work.

The demand for a suspension of enrichment work is not an attempt at the nuclear mugging of Iran. The proposals put to Iran in June by the Americans, Europeans, Russians and Chinese include, along with trade and political talks, the offer to co-operate in other advanced nuclear technologies, including building reactors for power generation, and assurances of fuel supplies to keep them going—enabling Iran to gain all the benefits of civilian nuclear technology at far less cost than enriching on regardless. Nor does the package rule out a return to enrichment by Iran some day, though only when the IAEA and everyone else can be confident it really is keeping its promises not to pursue military nuclear work.

Given Iran's past nuclear record and the suspicions about its future intentions, the condition for further talks on the incentives on offer has to be an end to enrichment now. Letting Iran spin out talks, while it continues to learn how to spin centrifuges that could one day produce the fissile material for a bomb, would be folly. If Iran goes on enriching beyond the council's deadline, sanctions must follow. ■

More media, less news

Newspapers are making progress with the internet, but most are still too timid, defensive or high-minded

THE first thing to greet a visitor to the Oslo headquarters of Schibsted, a Norwegian newspaper firm, is its original, hand-operated printing press from 1856, now so clean and polished it looks more like a sculpture than a machine. Christian Schibsted, the firm's founder, bought it to print someone else's newspaper, but when the contract moved elsewhere he decided to start his own. Although Schibsted gives pride of place to its antique machinery, the company is in fact running away from its printed past as fast as it can. Having made a loss five years ago, Schibsted's activities on the internet contributed 35% of last year's operating profits.

News of Schibsted's success online has spread far in the newspaper industry. Every year, says Sverre Munck, the executive vice-president of its international business, Schibsted has to turn away delegations of foreign newspaper bosses seeking to find out how the Norwegians have done it. "Otherwise we'd get several visits every month," he says. The company has used its established newspaper brands to build websites that rank first and second in Scandinavia for visitors. It has also created new internet businesses such as Sesam, a search engine that competes with Google, and FINN.no, a portal for classified advertising. As a result, 2005 was the company's best ever for revenues and profits.

Unfortunately for the newspaper industry, Schibsted is a rare exception. For most newspaper companies in the developed world, 2005 was miserable. They still earn almost all of their profits from print, which is in decline. As people look to the internet for news and young people turn away from papers, paid-for circulations are falling year after year. Papers are also losing their share of advertising spending. Classified advertising is quickly moving online. Jim Chisholm, of iMedia, a joint-venture consultancy with IFRA, a newspaper trade association, predicts that a quarter of print classified ads will be lost to digital media in the next ten years. Overall, says iMedia, newspapers claimed 36% of total global advertising in 1995 and 30% in 2005. It reckons they will lose another five percentage points by 2015.

Even the most confident of newspaper bosses now agree that they will survive in the long term only if, like Schibsted, they can reinvent themselves on the internet and on other new-media platforms such as mobile phones and portable electronic devices. Most have been slow to grasp the changes affecting their industry—"remarkably, unaccountably complacent," as Rupert Murdoch put it in a speech last year—but now they are making a big push to catch up. Internet advertising is growing rapidly for many and is beginning to offset some of the decline in print.

Newspapers' complacency is perhaps not as remarkable as Mr Murdoch suggested. In many developed countries their owners have for decades enjoyed near monopolies, fat profit margins, and returns on capital above those of other industries. In the past, newspaper companies saw little need to experiment or to change and spent little or nothing on research and development.

Set in print

At first, from the late 1990s until around 2002, newspaper companies simply replicated their print editions online. Yet the internet offers so many specialised sources of information and entertainment that readers can pick exactly what they want from different websites. As a result, people visited newspaper sites infrequently, looked at a few pages and then vanished off to someone else's website.

Another early mistake was for papers to save their best journalists for print. This meant that the quality of new online editions was often poor. Websites hired younger, cheaper staff. The brand's prestige stayed with the old medium, which encouraged print journalists to defend their turf. Still today at *La Stampa*, an Italian ››

daily paper owned by the Fiat Group, says Anna Masera, the paper's internet chief, print journalists hesitate to give her their stories for fear that the website will cannibalise the newspaper.

For the past couple of years, however, newspapers have been thinking more boldly about what to do on the internet. At its most basic, that means reporting stories using cameras and microphones as well as print. The results can be encouraging. America's Academy of Television Arts & Sciences has introduced a new Emmy award for news and documentaries on the internet, mobile phones and personal media players. Five of the seven nominations for this September have gone to reports by nytimes.com and washingtonpost.com.

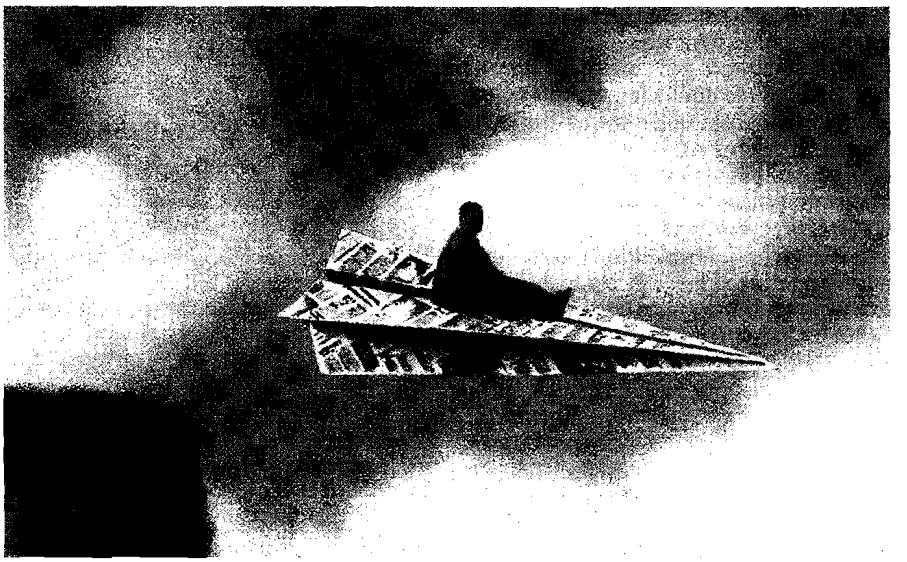
It also means being more imaginative. In the late 1990s, the early years of the *Wall Street Journal*'s website, one of the paper's journalists came up with the novel idea of posting online a 573-page document that backed up an article. "It wasn't the most compelling content," remembers Neil Budde, its founding editor and now general manager of news at Yahoo!, an internet portal. But it was a start. Now newspapers have a better idea of what works online. This is not always traditional journalism as taught in journalism school. Brian Tierney, who became owner of the *Philadelphia Inquirer* after Knight Ridder sold it last year, noticed that a popular item on the paper's website has been a video of Mentos mints causing a 2-litre bottle of Diet Coke to explode into the air. "We should do more of that," he says.

More newspaper companies are likely to treat their websites as a priority these days. "Before, newspapers used their second- and third-rate journalists for the internet," says Edward Roussel, online editorial director at Britain's Telegraph Group, "but now we know we've got to use our very best." Many companies are putting print journalists in the same room as those who work online, so that print writers are working for the website and vice versa. Some insist that this is a mistake. "It is completely wrong not to separate web and paper operations," says Oscar Bronner, publisher of *Der Standard*, a daily paper in Austria. Print journalists don't have time to reflect and analyse properly if they also have to work for the website, he argues.

Running to stand still

How impressive are the results of these online experiments? At lots of newspaper companies, internet advertising is growing by at least 30% a year, and often more. At *la Repubblica* in Italy, for instance, the paper's website gets about 1m visitors a day, nearly double the circulation of the printed paper. The value of online ads grew by 70% in the first half of 2006. For the first three months of 2006, the Newspaper Association of America announced that advertising for all the country's newspaper websites grew by 35% from the same period in 2005, to a total of $613m. But to put that in perspective, print and online ads together grew by only 1.8%, to $11 billion, because print advertising was flat. At almost all newspapers the internet brings in less than a tenth of revenues and profits. At this point, says Mr Chisholm, "newspapers are halfway to realising an audience on the internet and about a tenth of the way to building a business online."

The big problem is that readers online bring in nowhere near the revenues that print readers do. All but a handful of papers offer their content free online, so they immediately surrender the cover price of a print copy. People look at fewer pages online than they do in print, which makes web editions less valuable to advertisers. Gavin O'Reilly, president of the World Association of Newspapers in Paris, says that print readers are much more valuable than online readers, who use newspaper websites in a "haphazard and fragmented way". Vin Crosbie, of Digital Deliverance, a consulting firm, recently estimated that newspapers need between 20 and 100 readers online to make up for losing just one print reader. Many newspaper bosses would say this is too pessimistic: one British paper, for instance, reckons that one print reader is worth ten online. But even that is a daunting multiple.



Newspapers today concentrate on only two parts of the market for internet advertising. They earn little or nothing from internet search, which is bigger than either display or classified ads. Especially in America, newspapers rely heavily on classified ads online and have fewer display ads, says Mr Crosbie. Elsewhere, the pattern may be reversed, but newspapers still lack a broad base of internet-advertising revenue; for instance, Juan Luis Cebrián, chief executive of Grupo PRISA, the owner of *El País*, says the Spanish newspaper is enjoying strong growth in display advertising, but has few online classified ads.

On the other hand, newspapers' websites have higher profit margins than print does, because they have no newsprint or distribution to pay for. The *Wall Street Journal* is one of the few papers that charges for its content online. Others may follow suit, especially if growth in advertising slows. The online business model is still in flux, argues Richard Zannino, chief executive of Dow Jones & Company, publisher of the *Wall Street Journal*. The average price of ad space in the printed paper is now only three times higher than on Wall Street Journal Online, says Mr Zannino, compared with six to seven times for the industry as a whole in America. He expects the relative price of an internet ad to rise.

The secret of making money online, according to Schibsted, is not to rely on news aggregators like Google News and Yahoo!. Three-quarters of traffic to the websites for Schibsted's *VG* and *Aftonbladet* comes through their own home pages and only a quarter from other websites. "If visitors come from Google to stories deep in the paper and then leave," explains Mr Munck, "Google gets the dollars and we get only cents, but if we can bring them in through the front page we can charge €19,000 [$25,000] for a 24-hour banner ad." In spite of this, most newspapers still depend on news aggregators.

The danger for newspapers is that all their efforts on the internet may only slow their decline. Doing the obvious—having excellent websites and selling ad space on them—may not be enough. The papers with the best chance of seeing their revenues grow are those experimenting with entirely new businesses online and off.

Some are launching profitable new ventures that are only indirectly related to journalism. Schibsted, for instance, has ▸▸

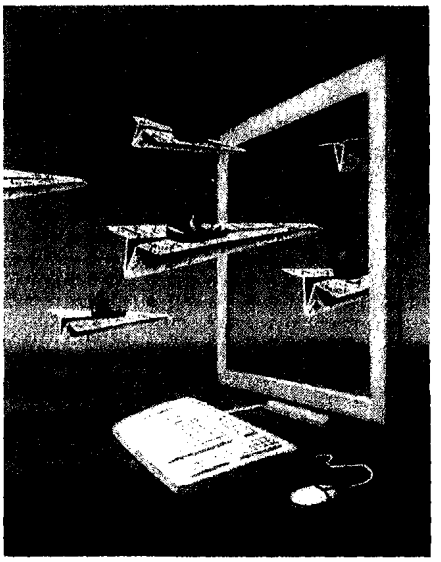
started an online slimming club, called Viktklubben.se, using its *Aftonbladet* newspaper brand. Viktklubben.se charges its 54,000 members €50 each every three months. The Telegraph Group in Britain uses the *Daily Telegraph* to sell readers everything from goose-down pillows to Valentine's Day topiary baskets to insurance. The division now contributes close to a third of the firm's total profits, according to an executive at the company. "Newspapers will have to get into new businesses and extract more value from their audience," says Paul Zwillenberg, global head of media and entertainment at OC&C Strategy Consultants in London. Examples like these are fairly rare, though. Most newspaper companies still insist that producing high-quality journalism and distributing it in new ways will be enough to keep them growing.

It's the journalism, stupid

Consultants advising newspaper groups argue that they need to adjust their output. Research into the tastes of mainstream newspaper readers has long shown that people like short stories and news that is relevant to them: local reporting, sports, entertainment, weather and traffic. On the internet, especially, says Mr Chisholm, they are looking to enhance their way of life. Long pieces about foreign affairs are low on readers' priorities—the more so now that the internet enables people to scan international news headlines in moments. Coverage of national and international news is in any case a commodity often almost indistinguishable from one newspaper to the next. This impression is exacerbated as papers seek to save money by sacking reporters and taking copy from agencies such as Reuters. "Our research shows that people are looking for more utility from newspapers," says Sammy Papert, chief executive of Belden Associates, a firm that specialises in research for American newspapers. People want their paper to tell them how to get richer, and what they might do in the evening.

Few newspaper companies like to hear this and they tend to ignore the research they have paid for. Most journalists, after all, would rather cover Afghanistan than personal finance. But some are starting to listen. Gannett, the world's biggest newspaper group, is trying to make its journalism more local. It has invested in "mojos"—mobile journalists with wireless laptops who permanently work out of the office encamped in community hubs. Morris Communications, based in Augusta, Georgia, recently launched a new home-delivered free paper for Bluffton, a fast-growing area of Beaufort, South Carolina, called *Bluffton Today*, with a page of national news, one of international and the rest "hyper-local". Its website has pictures and blogs from readers and detailed community information. "Back in the 1940s and 1950s papers used to be full of what we call 'chicken-dinner news'—the speakers at civic clubs and whose daughter won a blue ribbon in canoeing," says Will Morris, the firm's president. "But then newspapers started to lose touch with their readers."

The more adventurous newspaper companies, like Morris Communications, are showing themselves willing to embrace content and opinions from readers. Rather like OhmyNews, a Korean "citizen-journalism" operation that many people think heralds the future for news-gathering, Schibsted exhorts its readers to send information and photographs. When a mentally disturbed man ran amok and killed people on a tram in Oslo in 2004, it was a reader with a mobile-phone camera who sent VG its front-page picture of the arrest. At *Zero Hora*, a Brazilian paper owned by RBS Group, the circulation department asks 120 readers what they think of the paper every day and Marcelo Rech, the editor, receives a report at 1pm. "They usually want more of our supplements on cooking and houses and less of Hizbullah and earthquakes," says Mr Rech.



Still more changes to the content and form of newspapers are likely as businesspeople gain power at newspaper firms. "You won't be able to have many sacred cows...Newspaper companies will have to become more commercial," says Henrik Poppe, a partner in McKinsey. Some leading titles, including the *Wall Street Journal*, have recently decided to put advertisements on the front page for the first time. For the moment, the trend towards greater commercialism is most evident in America, but is likely to spread elsewhere as newspaper companies struggle financially. At the *Philadelphia Inquirer*, Mr Tierney, a former advertising executive, shocked people by announcing that he would bring in an advertising person to redesign the paper—traditionally a task strictly for editorial. In future, businesspeople are likely to insist that newspapers adopt practices that are already standard in other industries. Mr Tierney, for instance, says it is unreasonable to expect everyone from the age of 18 to 88 to buy the same product. The industry needs to sell papers for different age and demographic groups, he says.

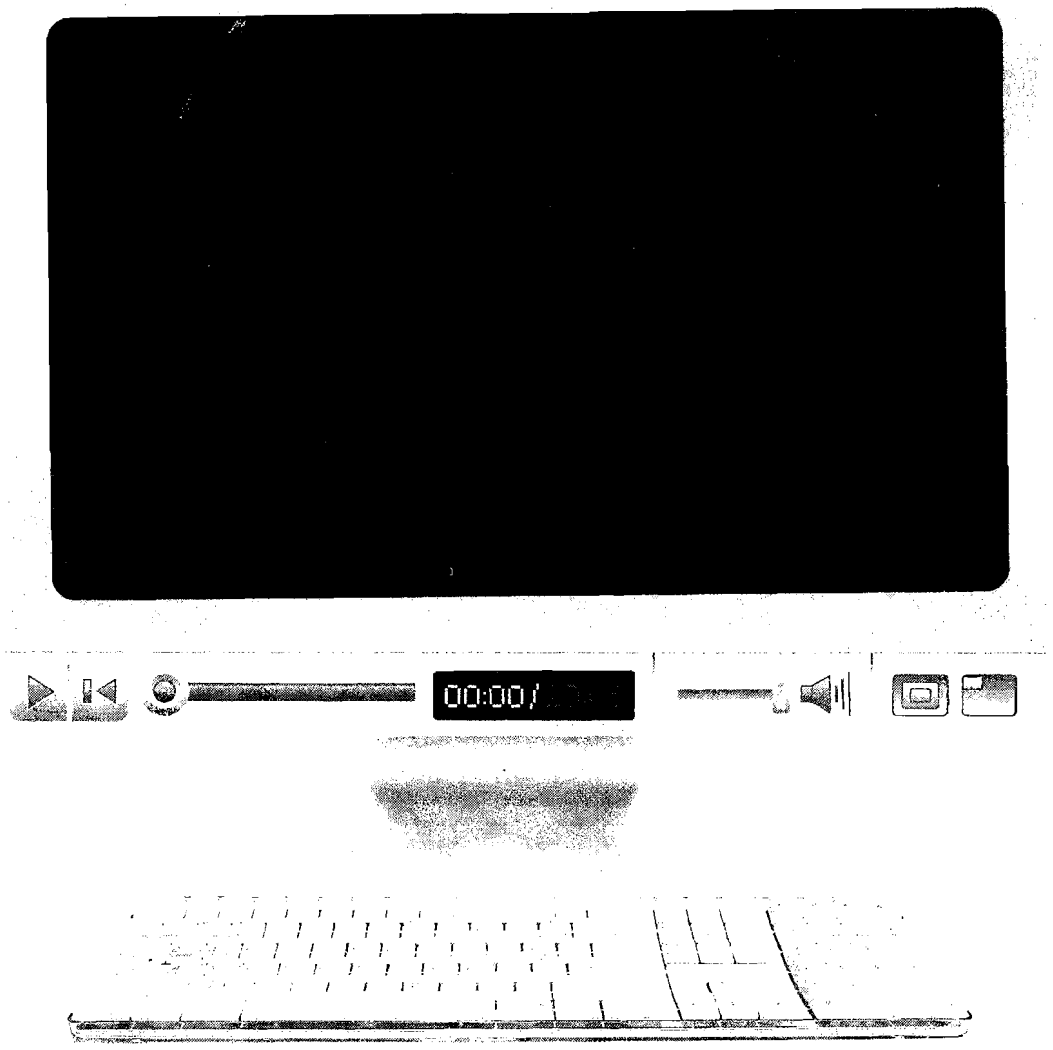
The most shocking development for traditional newspapers has been the wild success of free dailies, which like the internet have proved enormously popular with young people. Roughly 28m copies of free newspapers are now printed daily, according to Metro International, a Swedish firm that pioneered them in 1995. In markets where they are published, they account for 8% of daily circulation on average, according to iMedia. That share is rising. In Europe they make up 16% of daily circulation. Metro calculates that it spends half the proportion of its total costs on editorial that paid-for papers do. In practice that means a freesheet with a circulation of about 100,000 employing 20 journalists, whereas a paid-for paper would have around 180. Metro's papers reach young, affluent readers and are even able to charge a premium for advertising in some markets compared with paid-for papers.

"The biggest enemy of paid-for newspapers is time," says Pelle Törnberg, Metro's chief executive. Mr Törnberg says the only way that paid-for papers will prosper is by becoming more specialised, raising their prices and investing in better editorial. People read freesheets in their millions, on the other hand, because Metro and others reach them on their journey to work, when they have time to read, and spare them the hassle of having to hand over change to a newsagent.

Some traditional newspaper firms dismiss free papers, saying they are not profitable. Carlo De Benedetti, chairman of Gruppo Editoriale L'Espresso, publisher of *la Repubblica*, for instance, says that Metro loses money in Italy and that other freesheets are struggling. Globally, however, Metro has just become profitable.

Consultants say that lots of traditional newspaper companies are planning to hold their noses and launch free dailies. In France, for instance, *Le Monde* is planning a new free daily, and Mr Murdoch's News International is preparing a new free afternoon paper for London, to be launched next month. Deciding whether or not to start a freesheet, indeed, perfectly encapsulates the unpalatable choice that faces the paid-for newspaper industry today as it attempts to find a future for itself. Over the next few years it must decide whether to compromise on its notion of "fine journalism" and take a more innovative, more businesslike approach—or risk becoming a beautiful old museum piece. ■

PERSON OF THE YEAR



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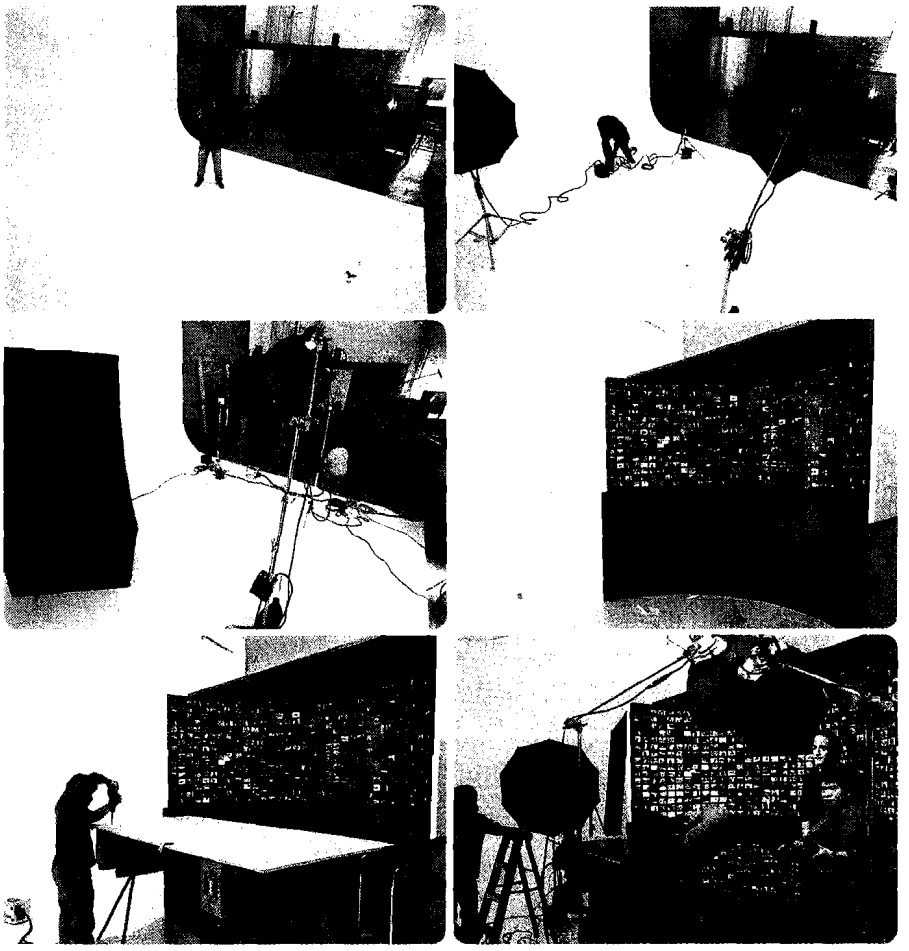


MICHAEL GRECCO FOR TIME (6)

The Making of an Image Check out scenes from the unique photo shoot of YouTube's Chad Hurley and Steve Chen

Person Of the Year

To learn more about your Web revolution, go to (where else?) the Web to see our behind-the-scenes videos as well as more photos and essays

Go to time.com/poy

JAWED KARIM

The Early Days at YouTube
Watch the founders discuss the uncertain future of their then new site in a humorous video from May 2005

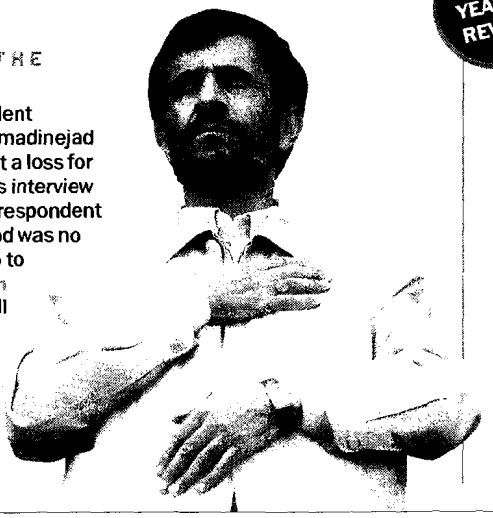
Ana Marie Cox
Our Washington editor provides a guide to the dirty tricksters and other mischief-makers online

Jaron Lanier
The Web guru warns that even in the Wild West of Web 2.0, the risks of group-think are lurking

THE YEAR IN REVIEW

MAN OF THE MOMENT

Iranian President Mahmoud Ahmadinejad isn't usually at a loss for words, and his interview with TIME correspondent Scott MacLeod was no exception. Go to time.com/ahm to read the full transcript



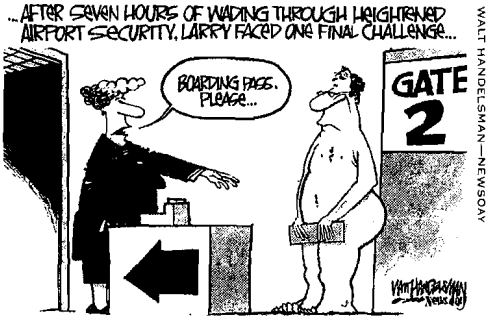
FARS—PARSPIX/ABACA

QUOTES OF THE YEAR

Actually, I thought we were going to do fine yesterday—shows what I know.

—President Bush on the midterms

For more quotes, go to time.com/qoty

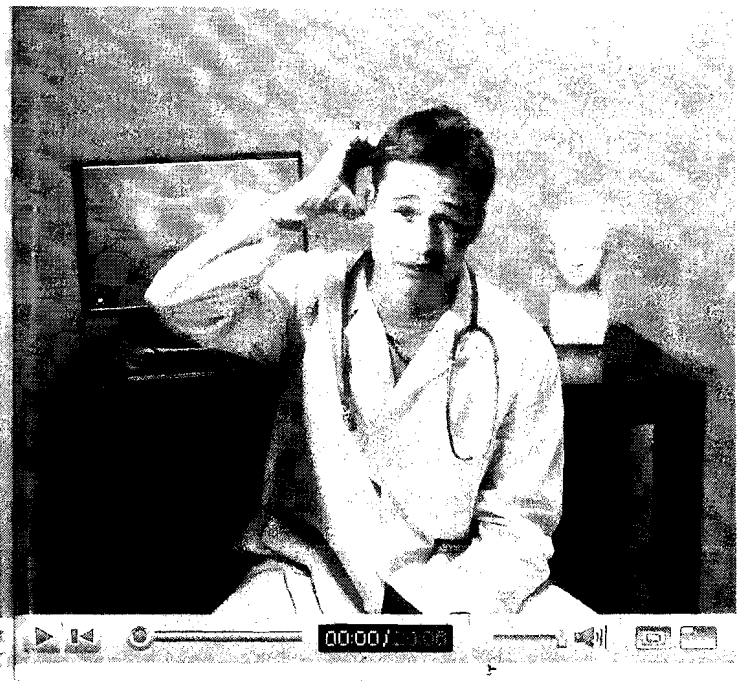


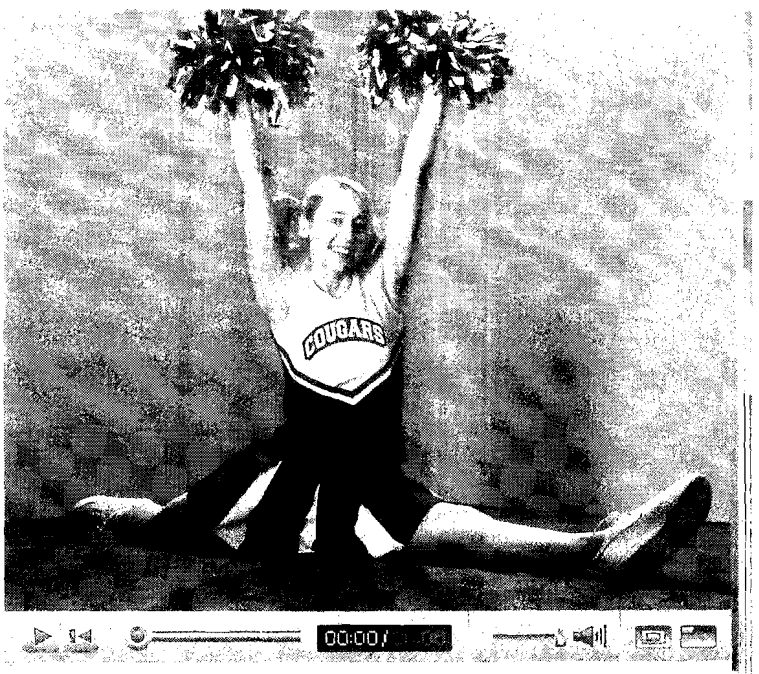
WALT HANDELSMAN—NEWSDAY

CARTOONS OF THE YEAR

For an irreverent view of the year's news, have a look at TIME.com's picks for the 10 best political cartoons of 2006. Go to time.com/coty


pump up the jam





TIME

PERSON OF THE YEAR

You.

THE "GREAT MAN" THEORY OF HISTORY IS usually attributed to the Scottish philosopher Thomas Carlyle, who wrote that "the history of the world is but the biography of great men." He believed that it is the few, the powerful and the famous who shape our collective destiny as a species. That theory took a serious beating this year.

To be sure, there are individuals we could blame for the many painful and disturbing things that happened in 2006. The conflict in Iraq only got bloodier and more entrenched. A vicious skirmish erupted between Israel and Lebanon. A war dragged on in Sudan. A tin-pot dictator in North Korea got the Bomb, and the President of Iran wants to go nuclear too. Meanwhile nobody fixed global warming, and Sony didn't make enough PlayStation3s.

But look at 2006 through a different lens and you'll see another story, one that isn't about conflict or great men. It's a story about community and collaboration on a scale never seen before. It's about the cosmic compendium of knowledge Wikipedia and the million-channel people's network YouTube and the online metropolis MySpace. It's about the many wresting power from the few and helping one another for nothing and how that will not only change the world, but also change the way the world changes.

The tool that makes this possible is the World Wide Web. Not the Web that Tim Berners-Lee hacked together (15 years ago, according to Wikipedia) as a way for scientists to share research. It's not even the overhyped dotcom Web of the late 1990s. The new Web is a very different thing. It's a tool for bringing together the small contributions of millions of people and making them matter. Silicon Valley consultants call it Web 2.0, as if it were a new version of some old software. But it's really a revolution.

And we are so ready for it. We're ready to balance our diet of predigested news with raw feeds from Baghdad and Boston and Beijing. You can learn more about how Americans live just by looking at the backgrounds of YouTube videos—those rumpled bedrooms and toy-strewn basement rec rooms—than you could from 1,000 hours of network television.

And we didn't just watch, we also worked. Like crazy. We made Facebook profiles and Second Life avatars and reviewed books at Amazon and recorded podcasts. We blogged about our candidates losing and wrote songs about getting dumped. We camcordered bombing runs and built open-source software.

America loves its solitary geniuses—its Einsteins, its Edisons, its Jobses—but those lonely dreamers may have to learn to play with others. Car companies are running open design contests. Reuters is carrying blog postings alongside its regular news feed. Microsoft is working overtime to fend off user-created Linux. We're looking at an explosion of productivity and innovation, and it's just getting started, as millions of minds that would otherwise have drowned in obscurity get backhauled into the global intellectual economy.

Who are these people? Seriously, who actually sits down after a long day at work and says, I'm not going to watch *Lost* tonight. I'm going to turn on my computer and make a movie starring my pet iguana? I'm going to mash up 50 Cent's vocals

PHOTOGRAPHS FOR TIME BY MICHAEL GRECCO

with Queen's instrumentals? I'm going to blog about my state of mind or the state of the nation or the *steak-frites* at the new bistro down the street? Who has that time and that energy and that passion?

The answer is, you do. And for seizing the reins of the global media, for founding and framing the new digital democracy, for working for nothing and beating the pros at their own game, TIME's Person of the Year for 2006 is you.

Sure, it's a mistake to romanticize all this any more than is strictly necessary. Web 2.0 harnesses the stupidity of crowds as well as its wisdom. Some of the comments on YouTube make you weep for the future of humanity just for the spelling alone, never mind the obscenity and the naked hatred.

But that's what makes all this interesting. Web 2.0 is a massive social experiment, and like any experiment worth trying, it could fail. There's no road map for how an organism that's not a bacterium lives and works together on this planet in numbers in excess of 6 billion. But 2006 gave us some ideas. This is an opportunity to build a new kind of international understanding, not politician to politician, great man to great man, but citizen to citizen, person to person. It's a chance for people to look at a computer screen and really, genuinely wonder who's out there looking back at them. Go on. Tell us you're not just a little bit curious. **—By Lev Grossman**

POWER TO THE PEOPLE

You control the media now, and the world will never be the same. Meet the citizens of the new digital democracy By Lev Grossman

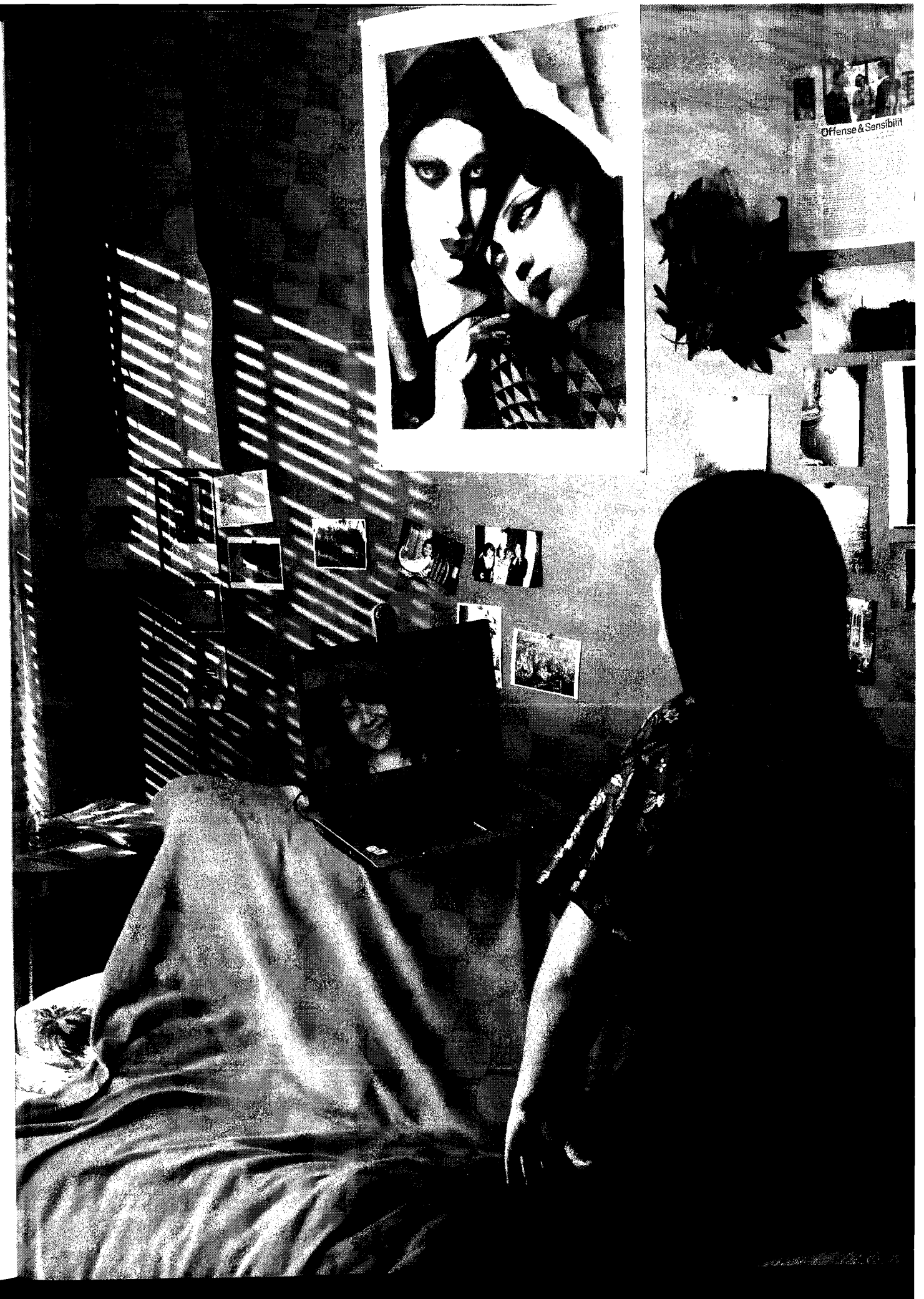
Leila The Real Lonelygirl

LONELYGIRL15 IS ONE OF THE MOST viewed YouTube users of all time. She's young and pretty, with a complicated and absolutely compelling personal life. She's also a work of fiction—lonelygirl15 was created by two professional screenwriters and an actress from New Zealand, of all places. Well—to paraphrase Woody Allen—you can't have everything.

But that doesn't mean there aren't real lonelygirls out there. Take Leila. She's 20 and lives in Maryland, where she's studying to be a social worker. Her personal life really is complicated. Online she describes her ethnicity as Middle Eastern—she's half Lebanese—and her religion as Muslim. She struggles with depression and her

Video diarist Leila, a bona fide lonelygirl, gets ready for a close-up in the bedroom of her Maryland home. Catch up with Leila by searching YouTube for her user name: pppppanic

PHOTOGRAPH FOR TIME BY GINA LEVAY



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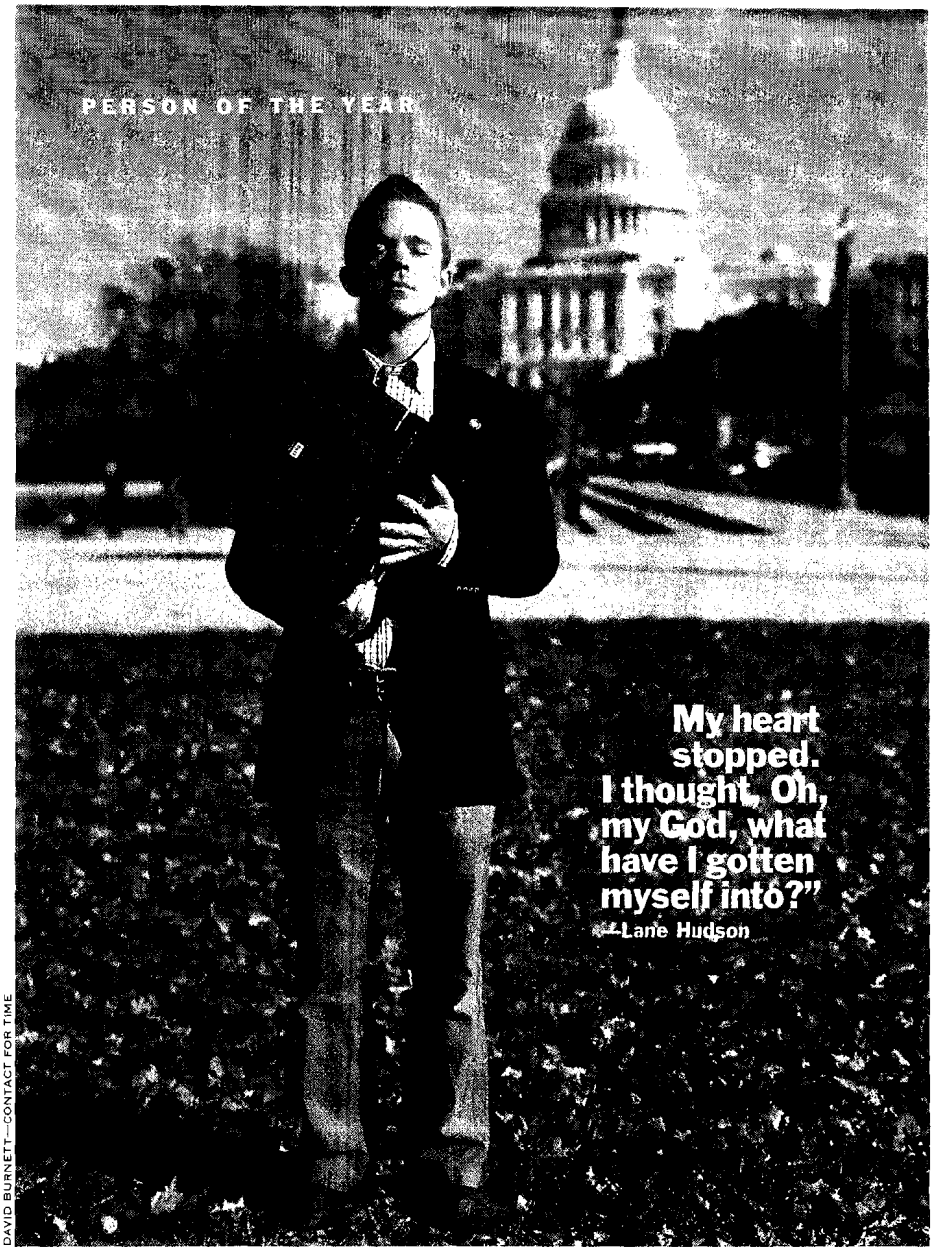

DAVID BURNETT—CONTACT FOR TIME

[redacted]

Blogger Hudson was the first to bring to light Representative Mark Foley's inappropriate e-mails to a congressional page—an outing that led to Foley's resignation. Read Hudson's latest at newsfortheleft.blogspot.com

crush on the guy at the 7-Eleven. You know—complicated.

Like lonelygirl15, Leila—she doesn't give out her last name—is a video blogger. Leila has posted 49 videos on YouTube under the user name pppppanic (that's five *ps*). She speaks directly into her webcam about her life, her opinions, her shifting moods, what she did that day. She says *um* and *ah* a lot. She has been known to drink and blog. Sometimes she doesn't speak at all, just runs words across the screen while melancholy singer-songwriter stuff plays in the background.

This isn't what YouTube was designed for—to be the public video diary of a generation of teens and twentysomethings. But sometimes the best inventions are the ones people find their own uses for. "You have people from all walks of life wanting to share a piece of their life with you," Leila says. "The feeling of togetherness is unbeatable. It's a beautiful thing."

There's certainly a narcissistic quality to video blogging—who doesn't love talking about him- or herself?—but the interest that bloggers take in their own lives is matched by their fascination with one another's. Leila no longer even bothers with TV. "I think people are bored with the mainstream media. I've been so caught up in watching other people's videos. I find it more entertaining. Much more real than the run-of-the-mill 'reality' show." Of course, in the post-lonelygirl15 era, there's always that question mark: How authentic are these faces on the computer screen? "I guess that's the only flaw," says Leila. "You can never really know the whole side of the story. You just get bits and pieces. You have to put blind faith in who the person is."

Lane Hudson

The Washington Whistle-Blogger

LANE HUDSON FIRST MET FORMER Florida Representative Mark Foley in a Washington bar in 1995. According to Hudson, Foley hit on him, unsuccessfully. He "made everyone, gay and straight, uncomfortable with his sexual advances," Hudson says. "Mark Foley's sleazy behavior was the worst-kept secret in Washington." In a different world, a less wired world, that would have been the end of the story.

Fast-forward a decade. On Sept. 24, 2006, Hudson posted on his blog *Stop Sex Predators* some amorous e-mails that Foley had sent to a congressional page. Other bloggers linked to them; soon the news networks were covering it, and some incriminating instant messages surfaced. Five days later Hudson was standing in line at Ronald Reagan Washington National Airport when his cell phone and his BlackBerry went crazy. Mark Foley had resigned from Congress and dropped out of his reelection campaign. "My heart stopped," Hudson says. "I thought, Oh, my God, what have I gotten myself into?"

Now 29, Hudson is no political outsider. A lifelong Democrat from Charleston, S.C., he has worked for quite a few politicians, including John Kerry in his 2004 campaign. His feelings about what happened are complicated. "How can I not be so excited about how this turned the midterm elections?" says Hudson. He says he's surprised by the furor he started, although he has been around long enough to see the judo-like power even a tiny blog can have over a towering public figure—Trent Lott in 2002, for example, or

Dan Rather in 2004. "Gotcha" moments like the Foley affair suggest the power of citizen journalists to root out hypocrisy in public life—Hudson isn't slow to point out that Foley chaired the Congressional Missing and Exploited Children Caucus—but also to create a kind of pseudo-Orwellian atmosphere of universal scrutiny. "The magnifying glass over people in public life is getting bigger and bigger," he says. "Politicians have got to start being themselves from the beginning, then they won't screw up so much. Stop pretending."

Hudson has become something of a celebrity in the Washington gay community, but the Foley affair hasn't exactly jump-started his career. He would love to end up as a political consultant or a political commentator. For now, he's started up a new blog called *News for the Left*. "Everyone told me, 'Oh, you're going to have so many opportunities now,' " he says. " 'Everyone is going to offer you a job.' Well, nothing has materialized yet." If he sounds a little bitter, it's understandable. He lost his old job, with the Human Rights Campaign, when it came out that he had used company resources to blog about Foley. "I like to tell people that I'm the only person fired over this whole scandal," he says, "and I'm the person who told the truth."

Ali Khurshid

"The Eye Is Supreme"

THERE AREN'T THAT MANY DIGITAL cameras floating around Karachi, Pakistan. Or computers, for that matter. Ali Khurshid started taking pictures with a disposable Kodak his parents gave him when he was 8. Since then he has graduated to fancy digital gear, but he has hung on to his low-tech attitude. "I love how the best pictures are usually taken with Holgas and other toy cameras," he says. "It just confirms my belief that the eye is supreme in taking a brilliant photo. The camera is secondary."

Khurshid, now 22, is an artist in a country that's known mostly, in the West at least, for its politics. He takes pictures "to make sure Pakistan's real beauty was put through," he says. "Not just the Pakistan that is shown in the media, always the center of attention for all the wrong reasons." Fortunately for Khurshid, he lives at a time when a solo shutterbug can have the same reach as a staff photographer at the New York *Times*.

Last year Khurshid began uploading his pictures to Flickr, a website where anyone can post his photos, view another's and swap comments and critiques. In all, there are more than 320 million photos on Flickr right now, about 200 of which are Khurshid's. He's a shy, polite man, but Khurshid is more than willing to wax romantic about the unifying, globalizing greatness of the Flickr community. "I love the world coming together in one place and just sharing all that's in it," he says. "I feel like I get to see the world like it really, truly is. Not by stereotyping a people or a country."

Even more than blogs or video-sharing sites, Flickr has the power to forge international bonds because it works in an entirely nonverbal medium. In fact, it works almost too well. Lavannya Goradia, a heavy Flickr user in Bangalore, India, finds it to be a bit of a lovefest. "I suppose it's a need to pat each other's backs, but that will always happen on a public forum," she says with a sigh. "I am still waiting for a day when I will get constructive criticism from someone here." As for Khurshid, he judges a picture's quality by its use of light and its spontaneity—"by the fact that one moment later it would have all gone," he says. "If someone can turn the ordinary into a dream, that person to me is a genius."

Megan Gill

Generation Network

WHEN MEGAN GILL BROKE UP WITH her boyfriend in November, it wasn't easy, but she gritted her teeth and did the inevitable: she changed her relationship status on

SHAKIL ADIL FOR TIME

Amateur photographer Khurshid snaps Clifton Beach at low tide in Karachi, Pakistan. See Khurshid's portfolio at *flickr.com/photos/alikhurshid*

ROBBIE MCCLARAN FOR TIME

Gill with a few of her 708 Facebook pals—one of whom she'd never met in person before—at her Portland, Ore., home. Want to meet Megan on Facebook? First you have to make friends with her

her Facebook page. "I knew there would be a flurry of annoying questions about what happened that I didn't want to answer," she says. "But it was the fastest way for it to be over and done with. Besides, if these people are supposed to be your friends, and care about you, then why keep it a secret?"

Gill, 22, a senior at the University of Portland, has a lot of friends—708, according to her Facebook page. Facebook is a social-networking website that has become—for many people, some of whom are even old enough to see R-rated movies—a way of doing what people used to do by gossiping and talking on the phone, but a lot more efficiently and publicly. You can post photos on your Facebook page, personal information, news about yourself, anything at all.

If you want to be Megan's friend or have pretty much any social interaction with her, you're going to want to go through Facebook. She's a double major in special education and English, so she's busy, but she checks in with the site at least twice a day, often 10 times that.

She'll post random updates to her profile just to let everyone know how she is: "Megan is so over first semester," "Megan is bummed about the election results," "Megan is tired of letting people down." As she puts it, "Facebook is my generation's way of picking up the telephone." It also does things the phone can't. "If you want to organize something," Megan says, "it's much simpler to send a message through Facebook than leave 20 voice mails." She doesn't know how anything got done on college campuses before Facebook.

Clearly, social-networking sites can create and maintain relationships that wouldn't have existed otherwise. But can they also attenuate relationships? Can Facebook be a way to avoid dealing with people face to face? Gill's answer has a whiff of intergenerational snobbism. "If anything, my friends and I are more in touch than was ever possible before," she says. "Older people had handwritten letters or called each other or whatever. I mean, really, we have a much more convenient way of doing things."

Lee Kelley

The Bard Of Camp Blue Diamond

CAPTAIN LEE KELLEY IS 35 AND hails from New Orleans. He spent 12 years in the Army without once being posted overseas, but that streak ended in June 2005 when he volunteered for service in Iraq and became a signal officer at Camp Blue Diamond in Ramadi. He has always been a writer—he has noodled around with a novel, done some freelance journalism. But it turns out he had to go all the way to Iraq to find his voice.

Kelley needed a way to convey to his family—especially his kids—what he was going through. As he puts it, "something I could leave behind if, God forbid, something happened to me." That's why he started taking some nonstandard gear with him on patrol: a notebook. "Work could last either eight hours or 20," he says. "I began to look forward to sitting down to write at the end of it." When he went off duty, he would grab a shower and then bang out a story about what had just happened. "Even though I was writing down what had happened in Ramadi that day," he says, "this was sort of an escape from the violence all around me."

Kelley is a military blogger, or mil-blogger, one of at least 1,200 servicemen and -women who write about their lives online. So far his blog, *Wordsmith At War*, has logged more than 200,000 hits. Mil-bloggers are a different breed from the domestic blogger who keeps, say, a record of his cat's mood swings. Here's Kelley on driving in Ramadi: "You have to go around big potholes and chunks of concrete blocking part of the lane. It's not a good feeling, because all your training tells you that these

LANCE W. CLAYTON FOR TIME

These days military blogger Kelley writes about life from his Utah home base, but you can read his dispatches from Iraq at *wordsmithatwar.blog-city.com*

are ideal sites for IEDs ... The threat is very real, and you can sense it in the air. You can't think 'it won't happen to us,' you have to assume it will. Yet we discuss it in the same tone we might talk about last night's football game."

If Vietnam was the first war to be televised, Iraq is the first to be blogged—and YouTubed. Kelley says he and other soldiers are disappointed by how the media portray the conflicts in Iraq and Afghanistan. "If you looked at all the coverage, you'd think the whole thing is a huge mess waiting to blow up. I sometimes wonder where these reporters are. I guess it's not exciting enough to write about schools being built." Kelley and his fellow milbloggers aren't just writing letters to their families. Unlike generations of soldiers before them, they're writing for history. "If they are archived, blogs will give the best account of this war," Kelley says. "No one knows what's going on better than the soldiers on the front lines."

S.R. Sidarth

The Accidental Assassin

HIS FULL NAME IS SHEKAR Ramanuja Sidarth. He usually goes by just his last name, or even just Sid. But most of the country knows him as "Macaca."

Sidarth, 21, is a senior at the University of Virginia, a double major in engineering and government. He spent the past few summers doing campaign grunt work, and 2006 was no different. He worked for James Webb's Senate campaign, tracking Webb's opponent, Virginia Senator George Allen, which means he videotaped Allen's public appearances. On Aug. 11, the tracker became the tracked. Allen singled him out in the crowd with a long, rambling riff. "This fellow here, over here with the yellow shirt, Macaca or whatever his name is, he's with my opponent," Allen said. And later: "So welcome, let's give a welcome to Macaca here! Welcome to America and the real world of Virginia!" The clip is on YouTube. One copy has been played more than 320,000 times.

It's ironic that Allen would welcome Sidarth to Virginia, since Sidarth has lived there his whole life and Allen grew up in California. It's also odd because until then, Allen and his staff had been nothing but friendly. "There's no way he didn't know who I was," Sidarth says. "He'd never addressed me before, and then to do so in this context—it was humiliating. That it was in a racial context made it worse." The crowd cheered, but Sidarth believes it was only because they had to. "It was an unfair indictment by Allen of the people there," Sidarth says. "They would have applauded no matter what he said." Later, some audience members went over to Sidarth to apologize.

It was definitely not Sidarth's idea to put the clip on YouTube. "Getting drawn out into the limelight was really surprising," he says, and he means it. He's an intensely private person, and he declined to answer quite a few of the questions put to him by TIME. He's focused on keeping his head down and getting into law school. "Ultimately I'd hope people wouldn't pay as much attention to things like this, instead caring

JAY L. CLENDENIN—POLARIS FOR TIME

[redacted]

University of Virginia senior Sidarth was taping a speech when Senator George Allen referred to him as "Macaca"—a slur that may have cost Allen an election. See the clip on YouTube by searching "Sidarth"

more about who can serve the country or the state better," he says. "Of course," he adds, "character plays into that. And this event reflected on Allen's character."

Waz and Lenny

The Un-Emerils

TO WATCH WARREN MURRAY, 34, and Leanne White, 32, make sponge cake is to hear the silent screams of Julia Child's dear, departed spirit. About 45 seconds in, they add two tablespoons of butter instead of two teaspoons, and it just goes downhill from there. Waz (as Warren is known) and Lenny (that's Leanne—it can be difficult to keep husband and wife straight) aren't professional chefs. They're copy editors at the *Guardian* newspaper in London. But their ham-fistedness in the kitchen is exactly what makes them great hosts.

Their show isn't a conventional cooking show. It's a video podcast called *Crash Test Kitchen*, and it's their sheer fallibility, their humanity, that makes the thing work. Waz and Lenny don't have the wizardly air of a Mario Batali or a Martha Stewart. "We have always tried to steer clear of the temptation to make it a Web version of a TV cooking show, with the old here's-one-we-prepared-earlier fakery and everything always turning out right," Waz says. Lenny says, "We try to be honest in our portrayal of cooking, so ordinary people feel brave enough to have a go at it." The sponge-cake episode is "probably the unintentionally funniest episode we've ever done," Waz says. "The thing was like trying to eat a sofa cushion." The episode ends with Waz furtively eating the ruined cake out of the trash. Even culinary daredevil Anthony Bourdain might have been scared to try that.

They don't sugarcoat the stresses of the marital kitchen, either. "The bickering and disputes between Lenny and me seem to be part of the appeal," Waz says, "so we mostly leave that stuff in." The Web is a two-way medium, and their fans offer both culinary advice and unsolicited marriage counseling. One viewer called Lenny a "nagging housewife." ("I took it waaaay too seriously and was really cut up," she says.) Some viewers are even more assertive. "There have been some not-so-subtle come-ons towards Lenny," Waz says, "and we've been asked whether we will be filming future episodes in the nude."

Harriet Klausner

The Constant Critic

WITHOUT THE WEB, HARRIET Klausner would be just an ordinary human being with an extraordinary talent. Instead she is one of the world's most prolific and influential book reviewers. At 54, Klausner, a former librarian from Georgia, has posted more book reviews on Amazon.com than any other user—12,896, as of this writing, almost twice as many as her nearest competitor. That's a book a day for 35 years.

Klausner isn't paid to do this. She's just, as she puts it, "a freaky kind of speed-reader." In elementary school, her teacher was shocked when Klausner handed in a 3½-hour reading-comprehension test in less than an hour. Now she goes through four to six books a day. "It's incomprehensible to me that most people read only one book a week," she says. "I don't understand how anyone can read that slow."

Klausner is part of a quiet revolution in the way American taste gets made. The influence of newspaper and magazine critics is on the wane. People don't care to be lectured by professionals on what they should read or listen to or see. They're increasingly likely to pay attention to amateur online

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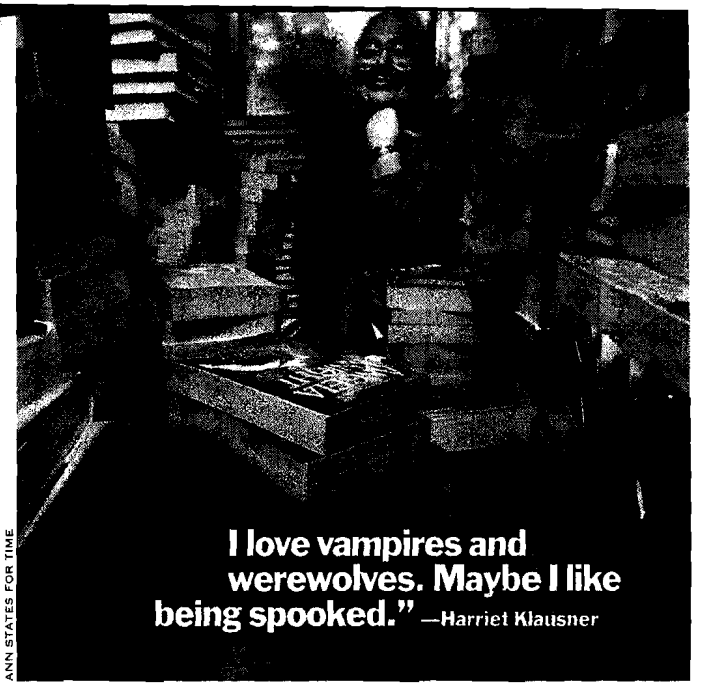
Video podcasters Waz and Lenny film their handheld amateur cooking show *Crash Test Kitchen* at home. Watch their culinary successes—and failures—at *crashtestkitchen.com*

PAUL BLACKMORE FOR TIME



ANN STATES FOR TIME

reviewers, bloggers and Amazon critics like Klausner. Online critics have a kind of just-plain-folks authenticity that the professionals just can't match. They're not fancy. They don't have an agenda. They just read for fun, the way you do. Publishers treat Klausner as a pro, sending her free books—50 a week—in hopes of getting her attention. Like any other good critic, Klausner has her share of enemies. "Harriet, please get a life," someone begged her on a message board, "and leave us poor Amazon customers alone."

Klausner is a bookworm, but she's no snob. She likes genre fiction: romance, mystery, science fiction, fantasy, horror. One of Klausner's lifetime goals—as yet unfulfilled—is to read every vampire book ever published. "I love vampires and werewolves and demons," she says. "Maybe I like being spooked." Maybe she's a little bit superhuman herself.

Wang Xiaofeng

Bart Simpson In Beijing

"CHINESE PEOPLE DON'T DO IRONY like Israelis and the English," says Wang Xiaofeng. "They don't have that making-fun-of-yourself gene." In China the blogosphere is dominated by the dronings of millions of earnest diarists, and there are still many things that can't be said in the mainstream media. Wang, however, enjoys making fun of art, culture, politics—everything that Chinese people are supposed to hold dear. Serious critiques of social problems or political leaders can still be dangerous in China, but serious isn't Wang's style. He might be the most respected blogger in China, precisely because he respects almost nothing.

Wang's site gets about 12,000 visitors a day. It's plastered with pictures of the Simpsons—Wang is a fan of the show, and he likes to think he looks like Bart—but there's also a bit of Borat in him too. He has posted fabricated interviews and deliberately misleading surveys. Some people call him a cynic or a liberal; some people call him names that are shocking even by online standards of incivility.

But labels don't really fit Wang. He doesn't like isms and movements and refuses to join groups or parties. He doesn't have some big, catchall solution. "There's nothing that can be done about a lot of things in China," he says. "Most of what people do on the Internet is complain. At least we have a place to blow off some steam."

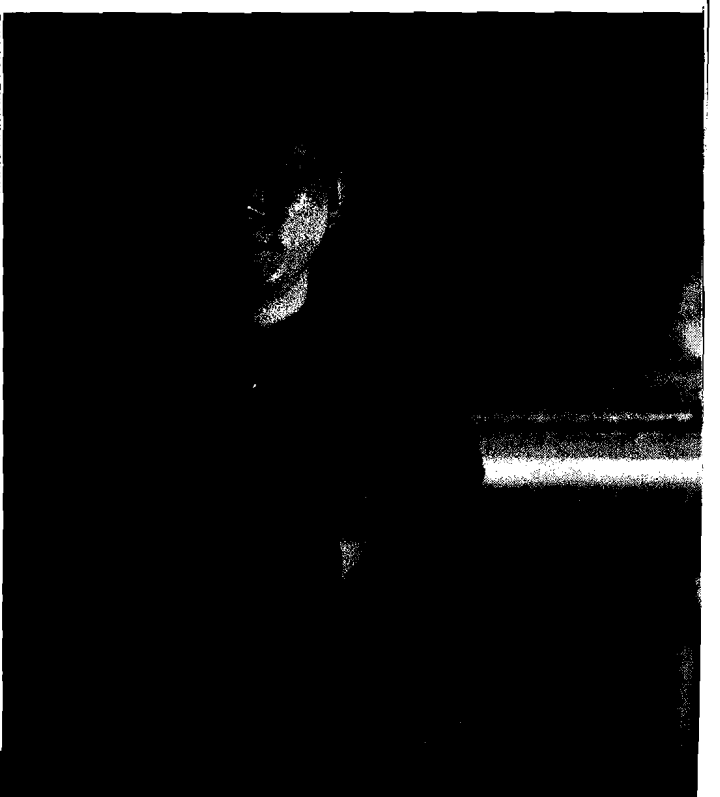
Tila Tequila

The Madonna Of MySpace

TILA NGUYEN WAS 1 YEAR OLD when she moved to the U.S. from Singapore, but she's Vietnamese by heritage and blond by choice. As for what she does for a living, there isn't really a word for it yet. Nguyen, 25, who goes by Tila Tequila professionally, is some combination of rapper, singer, model, blogger and actress. But what she mostly is is the queen of the massive social-networking website MySpace.

Nguyen—or, oh, fine, Tequila—may be the least lonely girl on the Internet. She has more than 1.5 million MySpace friends. Her MySpace profile has been viewed more than 50 million times. Her self-published single, the profane and attitudinous *F___ Ya Man*, now playing on her MySpace page, has logged 13 million spins. (To listen to it is to hear the sound track of a million parents' dreams dying.) She gets somewhere from 3,000 to 5,000 new friend requests every day. She is something entirely new, a celebrity created not by a studio or a network but fan by fan, click by click, from the ground up on MySpace.

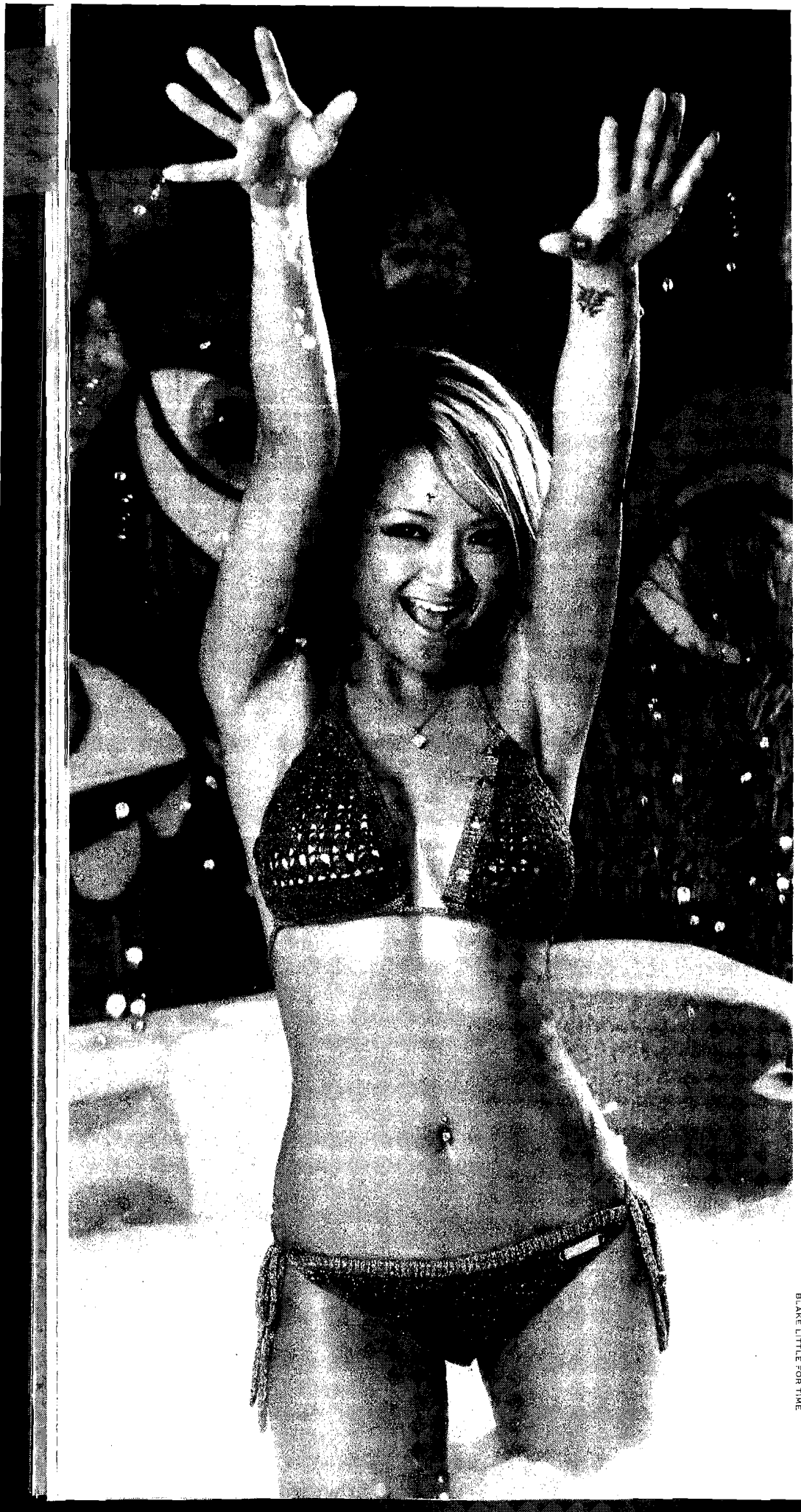
Before she hit it big, Nguyen



ANAIS MARTANE FOR TIME

The Georgia home of Amazon's most prolific reviewer is awash with books. Looking for a good read? Check out Klausner's reviews at *snipurl.com/151kj*

In the evening you may find blogger Wang sipping coffee in this Beijing shop. But you can read his thoughts (in Chinese) at *wangxiaofeng.net* any time of the day



BLAKE LITTLE FOR TIME

had posed for Playboy.com—its first Asian Cyber Girl of the Month—and modeled for car shows and auto mags and formed girl bands. But her big break came three years ago when MySpace founder Tom Anderson invited Nguyen over to his new site. She had spent plenty of time on websites like Friendster, but her outsize, confrontational personality kept getting her kicked off. She says Friendster booted her five times. "I joined MySpace in September 2003," Nguyen recalls. "At that time no one was on there at all. I felt like a loser while all the cool kids were at some other school. So I mass e-mailed between 30,000 and 50,000 people and told them to come over. Everybody joined overnight."

Pre-Tila, your MySpace friends were mostly people you actually knew. Post-Tila, the biggest game on the site became Who Has the Most Friends, period, whoever they might be. "Once they saw how I worked it, everyone did what I did and started promoting themselves," she says. Not everybody would call this a change for the better; there are those who might even prefer a friendly community to a global popularity contest. Not Nguyen. Over the next couple of years she turned her online persona into a full-fledged business. "This is my job," she says. "That's how you maintain your popularity and keep it alive."

Nguyen clearly grasps the logic of Web 2.0 in a way that would make many CEOs weep. She sells Tila posters, calendars, a clothing line of hoodies and shirts. She has been on the cover of British *Maxim*. She has a single due to be released online. She has a cameo in next summer's Adam Sandler movie. She has four managers, a publicist and a part-time assistant. It's hard to know how to read the rise of Tila Tequila. Does she represent the triumph of a new democratic starmaking medium or its crass exploitation for maximum personal gain? It's not clear that even Tila knows. But she knows why it works. "There's a million hot naked chicks on the Internet,"

she says. "There's a difference between those girls and me. Those chicks don't talk back to you."

Smosh
The Intertainers

ON NOV. 28, 2005, A VIDEO WAS uploaded to YouTube. It shows two American River College students, Anthony Padilla and Ian Hecox, lip-synching to the *Pokémon* theme song. Their lip-synching is completely earnest. They're really into it. They're gonna catch 'em all. This video would go on to be viewed more than 17 million times. For six months it was the most watched video on all of YouTube. It's enough to shake your faith in a new medium.

Padilla and Hecox go by the joint nickname Smosh, and they are the *Saturday Night Live* of YouTube. Their videos are insanely popular. Their genius, if that's the right word for it, is in their unswerving, unwinking commitment to idiocy. It may also be in their shaggy haircuts. (*Smosh* is some kind of inside joke that has something to do with some friend of theirs talking about mosh pits ... Never mind.) Since *Pokémon*, they have done other theme songs, including those for *Power Rangers* and *Mortal Kombat*. They have branched out into sketch comedy as well. (Typical setup: a friendly game of *Battleship* gone horribly, horribly awry.)

So far, Padilla and Hecox haven't been able to monetize their viral notoriety on any significant scale, although they do sell ads on Smosh.com. In fact, for Padilla and Hecox, being Internet celebrities is a lot like being normal people. "Our girlfriends hate that we're so busy," Hecox says. "The videos take up a lot of time, and we're working on several projects simultaneously. Overall, it really hasn't affected our lives." The dream is to end up like Andy *(Lazy Sunday)* Samberg, who went from online comedy to the real *SNL*. But not everybody can live the dream, not even in the ultra-democratic YouTube era. "Our future is wide open," Padilla says. "There seems to be a huge potential in what we're doing, so we'll just keep doing what we're doing. And if nothing comes out of it—well, whatever."

MARKHAM JOHNSON FOR TIME

[redacted]

Comic duo Padilla and Hecox use Padilla's California bedroom as a set for their "Smosh" act videos. You can catch the pair's latest upload by searching for "Smosh" on YouTube

Kamini
Straight Outta Cowtown

KAMINI GREW UP IN A TINY TOWN deep in the French countryside called Marly-Gomont. He stood out, in part because everybody stands out in Marly-Gomont—pop. 432—but partly because Kamini is black. There aren't a lot of black people in Marly-Gomont.

Kamini (who keeps his last name private) wanted to be a hip-hop artist. It's a long way from Marly-Gomont to South Central L.A., but he recorded a song and shot a video with a friend. Total budget: 100 euros. The name of the song was *Marly-Gomont*, and in it Kamini raps about what he knows. "I couldn't rap about 'bitches' and 'hos' and do that whole gangsta thing," he says, "because it's not true. It's not my life."

Instead he raps about cows and tractors and soccer. "In Marly-Gomont," the song goes (it's in French), "there's no concrete/ 65 is the average age around here/ One tennis court, one basketball court." The video shows Kamini raisin' the roof with the village elders, who obviously think he's hilarious. But Kamini also raps about racism and being different: "I wanted to revolt, except that there, there's nothing to burn./ There's just one bus for the high school, same for the community center,/ Not worth going and burning a neighbor's car,/ Cuz they don't have them, they've all got mopeds."

On Aug. 30, Kamini and another friend put the video online and cold e-mailed some record companies to tell them about it. The response wasn't exactly a feeding frenzy. But an intern at one of the companies posted a link to the video on a bulletin board. "It's a site that sells custom-print T shirts," Kamini says, shaking his head. "It doesn't even have anything to do with music!" By the end of the day, nobody on the website was talking about T shirts. Everyone was talking about Kamini.

The video spread to YouTube and its French equivalents, WAT.tv and Dailymotion.com. Thousands of people watched it. Kamini

[redacted]

Tequila's growing fame on MySpace has made her the envy of wannabe celebs on and off the Internet. See what all the fuss is about by looking her up at myspace.com

DENIS ROUVRE FOR TIME

French rapper Kamini scored his first hit by singing about what he knew best—his hometown of Marly-Gomont. The Internet did the rest. See his red-hot video at *kamini.fr*

started getting requests to appear on radio shows. In mid-October, without having toured or even played a single gig, Kamini signed a record deal with RCA for *Marly-Gomont* and two albums. He was a rap star by popular proclamation. He had paid his dues virally. "Everything has happened in two months," says Kamini, who hasn't quit his part-time job as a nurse. "Look at me, sitting here at a luxury hotel being interviewed. How did all this happen?"

The answer is that the people can make their own stars now—no auditions, no promotions. It's like *American Idol*, but everywhere, all the time. Though it's worth noting that the bands that have broken through online—OK Go, the Arctic Monkeys, Lily Allen, Gnarls Barkley—are a lot more interesting than the bland standards belters on *American Idol*.

Some rules haven't changed. People respond to talent and authentic emotion, and *Marly-Gomont* has them. "I'm not the only one on the Internet with a video," Kamini says. "But *Marly-Gomont* is different. It shows my real nature, and people respond to that. Materially speaking, it's the Internet that made it popular. But behind that, emotionally speaking, are people."

Simon Pulsifer

The Duke Of Data

THERE IS A LIST ON Wikipedia of who has written or edited the most entries, and for a long time the volunteer at the top of this list was a user known as SimonP. His real name is Simon Pulsifer. He is 25, unemployed and lives in Ottawa.

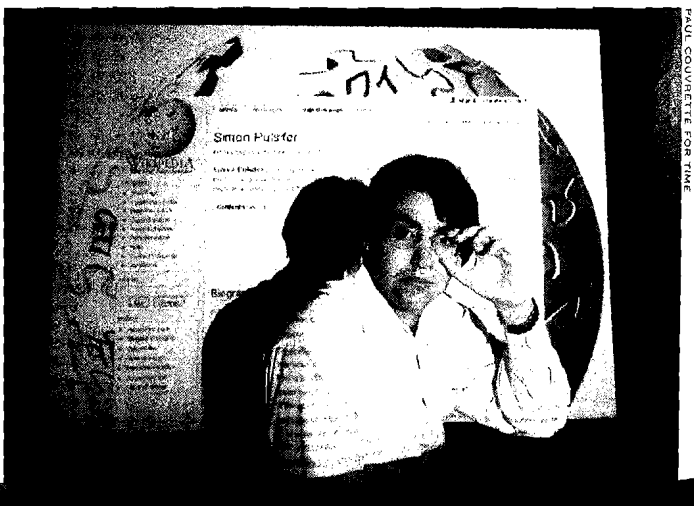
Pulsifer has authored somewhere between 2,000 and 3,000 Wikipedia articles and edited roughly 92,000 others. "I've actually fallen to No. 2 in terms of edits," says Pulsifer, who's tall and a little overweight. "But it's a fairly meaningless measure, so I don't feel too bad." He first heard about Wikipedia in 2001, but it wasn't until 2003 that he got serious about contributing. That was the year he got a really, really boring summer job. At that point Pulsifer got "superinvolved" with Wikipedia.

Why would somebody donate so much of his time? "There's a certain addictive element," he says. Pulsifer was still in school, and writing Wikipedia entries turned out to be a handy way of studying for exams. While taking a Russian-history class, he wrote entries about the czars. He has chipped in pieces on African history and biblical studies. Some he wrote "off the top of my head." Others took research. "It's a combination of things," Pulsifer says matter-of-factly. "It's great to see your writing published online—it's not that easy to create things that are read by millions of people." He also liked the prestige that came with being a major player on Wikipedia. Granted, that prestige was mostly among other major Wikipedia players, but still.

Wikipedia isn't a paradise of user-generated content. It has plenty of errors in it, and omissions, although at this point it's considerably larger than the *Encyclopaedia Britannica*. Some people enjoy vandalizing it—erasing or falsifying entries. Earlier this year the entire staff of Congress was barred from Wikipedia for sabotaging one another's profiles. In a way it's as much a litmus test of human nature as it is a reference tool.

As for Pulsifer, he's quietly scaling back his compulsive Wikipediation. He no longer whizzes through 250 edits a day. "To a degree, I'm moving on," he says. He has had a couple of job offers; perhaps a well-paying gig will come along that will allow him to leave his parents' home, where he resides. No doubt a new Wikipedian will arrive to take his place. There are plenty of boring summer jobs out there.

Using his local Ottawa library for research, Pulsifer has written more than 2,000 Wikipedia entries and edited 92,000 more. Look him up at *wikipedia.org*



PAUL COUVRETTE FOR TIME


KIHO PARK—KISTONE FOR TIME

Korean citizen-journalist Kim relies heavily on her family—especially nephew Lee Ju Seok—for the stories she posts on OhMyNews. You can read some of her stories at *english.ohmynews.com*

Kim Hye Won

Dateline: Everywhere

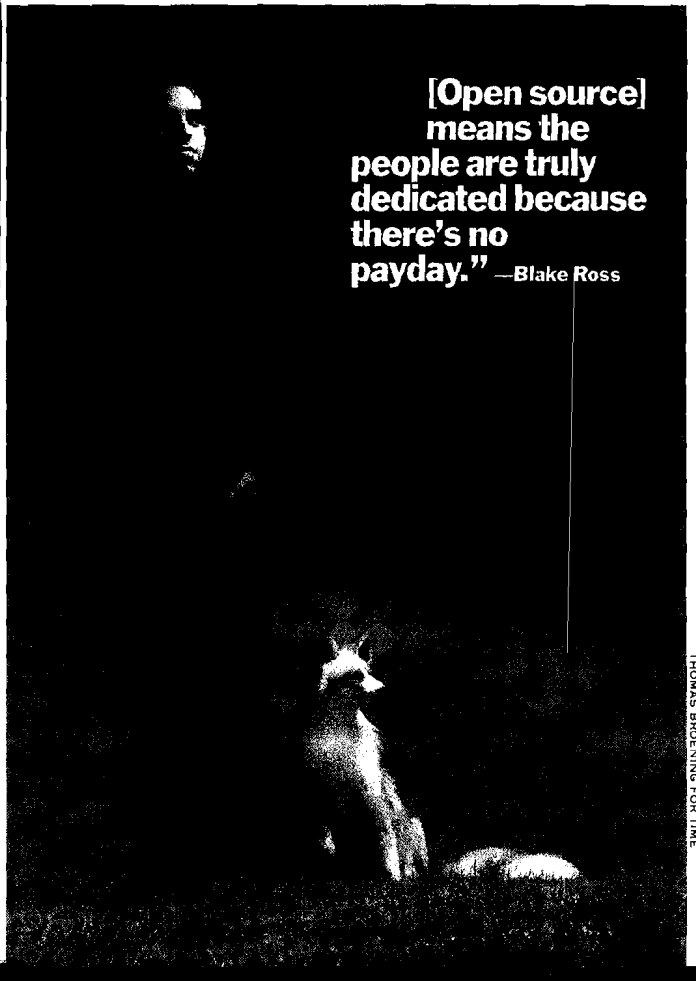
KIM HYE WON DOESN'T LOOK LIKE a journalist, which is to say that she doesn't look like Hildy Johnson in *His Girl Friday*. Kim looks like a 45-year-old Korean housewife, which is what she is. More and more journalists are starting to look like her.

Kim is a citizen reporter for a South Korean website called OhMyNews. There is nothing quite like OhMyNews in the U.S., or not yet. Imagine if the Washington *Post* were produced entirely by bloggers. OhMyNews is written mostly by a floating staff of 47,000 amateur journalists all over the country. The site gets 1 million to 1.5 million page views a day.

OhMyNews was founded in 2000, after decades of authoritarian rule had left the South Korean media deeply co-opted. The website was a revelation for Kim. "I felt the mainstream media was one-sided," she says. "But after I began to read OhMyNews, I found out there were different views and perspectives available." Kim read the site for about a year before she tried her first piece, about her son, who was studying for exams, and her husband, who was dealing with corporate burnout. The headline: DADDY'S DEPRESSED, SON'S TAKING TESTS, AND I'M WORRIED. She was a natural.

Over the past three years, Kim has written about 60 pieces for OhMyNews. The site awarded her Citizen Reporter of the Year for 2005. "Korean housewives become nameless after marriage," Kim says. "They are often just called someone's wife or someone's mother. I finally found my name through OhMyNews."

Firefox co-creator Ross is already planning new programming projects that tap the collective talent of volunteers on the Internet. Learn how you can pitch in at *blakeross.com*



THOMAS BROENING FOR TIME

Blake Ross

Outfoxing Microsoft

WHEN BLAKE ROSS WAS 15, he moved from Florida to California to take an internship with Netscape. This was a rather quixotic thing for a 15-year-old to do, because Netscape was on life support at the time—its Web browser was getting the stuffing beat out of it by Microsoft's Internet Explorer.

Netscape had one thing going for it: it was open source. Most software is developed exactly the way you think it is: you pay a bunch of geeks in cubicles to write it. Open-source software works differently. You release a rough draft onto the Internet, and anybody can open the hood and go to work on it—streamline it, fix bugs, suggest features, pretty up the interface, whatever. The people who write open-source software "aren't necessarily professionals," Ross says. "It gives you a breadth of experience outside of just computer geeks. It also means the people are truly dedicated because there's no payday." Open source is as much a community, even a subculture, as it is an approach to creating software.

In 2002 Ross and some colleagues decided to start up a new version of Netscape, one that would chuck all the fancy features and go for simplicity, stability and speed. They called the new browser Firefox, and it was a monster hit. When Firefox 2.0 appeared this October, it clocked 2 million downloads in the first 24 hours. Web surfers are switching to Firefox at the rate of 7 million a month.

There's something both very American and very anticapitalist about the open-source approach. It's about including everyone in the process, democratically, but it's also about giving away the product and sharing your trade secrets with the world; the more people who have access to your intellectual property the better. "I'm not in this for the money. I truly love it," Ross says. "I could never see myself sitting in a cubicle." Right now Ross, a world-weary 21, is taking time off from Stanford to work on a new project called Parakey. Parakey is top secret for now, but it will be an open-source project too. So Ross will make sure you hear about it.

—Reported by Jeremy Caplan and Kathleen Kingsbury/New York, Susan Jakes/Beijing, Jeffrey Ressner/Los Angeles, Grant Rosenberg/Paris and Bryan Walsh/Seoul

YOUR WEB, YOUR WAY

IF THE WEB'S FIRST COMING WAS ALL ABOUT GRAFTING OLD businesses onto a new medium (pet food! on the Internet!), Web 2.0 is all about empowering individual consumers. It's not enough just to find that obscure old movie; now you can make your own film, distribute it worldwide and find out what people think almost instantly. Big businesses are embracing this new world as well, not just through advertising but also by tapping the expertise of everyone out there to enhance their products. Here's how to decode the buzzwords and blaze your own trail through the tangle of websites.

—By Jeff Howe

You Make It

Web 2.0 is fueled by an outpouring of creativity from the people formerly known as consumers. From YouTube auteurs to bloggers to amateur photographers competing with the paparazzi, **USER-GENERATED CONTENT** is revolutionizing the media landscape

You Name It

The sheer mass of information online—20 billion Web pages and counting—should defy organization. Collective intelligence has risen to the challenge. With users tagging images, text and other forms of content, an organic sort of taxonomy has blossomed, appropriately called **FOLKSONOMY**

You Work on It

Why pay a professional when an amateur would do it for dramatically less money? In fields ranging from photography to the sciences, companies are taking jobs once performed by staff and **CROWDSOURCING** them to the enthusiastic, increasingly adept masses

You Find It

Wal-Mart can't afford to stock anything that won't sell in volume. But websites like MySpace or Netflix offer an endless array of obscure products, allowing users to forage successfully for Japanese ceramics or old-time bluegrass as easily as they might find the latest John Grisham book. This business model is known as the LONG TAIL

THE ENTERTAINERS

The song remains the same, but the way we listen to it is changing. The movie, music, book and video-game industries have all embraced the Internet

BitTorrent
This efficient way of transmitting large files can make anyone a movie distributor

SECOND LIFE
An imaginary world built by users spending real money, it has become a nation of nearly 2 million

Revver
By attaching ads to Web videos, Revver gave stupid pet tricks their first business model

YouTube
The site that leveled the entertainment playing field. *Ask a Ninja* outdraws *The Daily Show*

last.fm
Beyond radio, it's a way to tap into the musical tastes of the crowd and add yours as well

NETFLIX
With more than 70,000 DVDs available, proof that Keanu and Kurosawa can coexist

iTunes
With a catalog of 3.5 million songs, Apple makes money off the misses as well as the hits

Jeff Howe is a contributing editor at Wired. *He writes about emerging trends at* crowdsourcing.com *and is currently working on a book about the crowdsourcing phenomenon*

THE TOOLMAKERS

On the new Web, users are increasingly building their own tools. The result is greater customization and convenience, from maps that can be easily programmed to ads that change with every new blog post

craigslist
The classified-ad service has 23 employees but receives more traffic than all but seven other sites

LinkedIn
Social networking for suits. It brings together an elite clientele of global executives

eBay
At the auction site, the users are the police: customer ratings weed out the bad eggs

Google
The search empire built itself around a social function: counting links between websites

WIKIPEDIA
The ultimate crowdsourcing model, it showed that the masses are as smart as the experts

myspace.com
a place for friends
With 120 million users, it's a whole new society, with features that maximize individuality

Google AdSense
Provides free ads relevant to your website, then pays you if people click on them

Google Maps
Users can add their own points of interest to create mashups like www.beerhunter.ca

amazon.com
With customer reviews and recommendations, book buying is now a communal experience

THE GATHERERS

The crowd isn't just expressing itself more; it's also gathering and filtering all those blog posts and photographs and finding an audience for them

Blogger
The popular blogging-software service makes every would-be pundit a publisher

iStockphoto
This photo store taps an army of amateurs, who can sell their shots for as little as $1

Flickr
The photo-scrapbook site helped popularize tagging as a way to organize information

Feedburner
Lets users subscribe to various sites then receive updates from each one on a single page

digg
The crowd as news editor: readers "digg" stories they like and "bury" ones they don't

del.icio.us
Allows users to share their Web-browser bookmarks, all organized by tags users provide

Technorati
Its search and ranking functions reveal the topics that are burning up the blogosphere

ILLUSTRATION FOR TIME BY SEAN MCCABE

THE BEAST WITH A BILLION EYES

On the Web, anyone with a digital camera has the power to change history By James Poniewozik

IN 1991, WHEN A BYSTANDER VIDEOTAPED the police beating of Rodney King in Los Angeles, the incident was almost unbelievable—not the violence but the recording of it. Imagine! That four policemen would pummel a subdued man, and someone would just happen to have a camera! What were the odds?

Do a YouTube search today on the term police brutality, and you get more than 780 videos, from Houston, Hungary, Egypt and beyond. This is just one sign of how much YouTube—and similar video-sharing sites—has changed the flow of information. People have had cameras for decades and Web access for years. It's the combination of two simple things—easy, cheap recording and easy, free distribution—that makes YouTube so potent and its impact so complex. It's not just a new medium; it's several in one.

IT'S A SURVEILLANCE SYSTEM. If you credit YouTube with revolutionizing the media, you must first credit every cell-phone company that has handed out deep-discount videophones like Cracker Jack prizes; they've turned us into a culture of Zapruders. When millions have the power to quickly, easily send any image around the world, you have something akin to global telepathy. (The cell-phone messages from 9/11 victims were chilling enough; imagine the visuals, had the attacks happened in 2006.)

It was a comedy fan's camera phone, for instance, that caught Michael Richards spewing racial slurs at African-American hecklers. Incidents like this are wearing away the distinction between amateur and professional photojournalists. As Clay Shirky of New York University's Interactive Telecommunications

Program puts it, "It's hard to argue that a paparazzi is more of a photojournalist than the person who takes a picture of the London train bombing and uploads it."

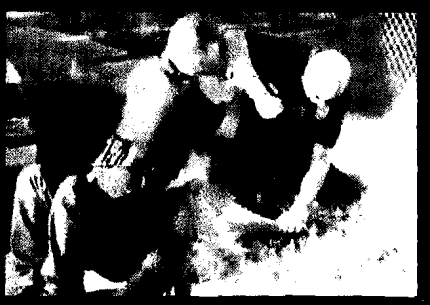
But if YouTube made celebrities and journalists nervous, it was open season on politicians. Montana Senator Conrad Burns became a YouTube star for nodding off in a Senate hearing; Democratic Connecticut Senator Joe Lieberman, for getting a smooch on the cheek from President George W. Bush. (Burns lost reelection; Lieberman won but only after losing the primary.) Stage-managed politics became reality TV, and veteran pols seemed unsure what had hit them. When you watch Virginia Senator George Allen calling a rival's camera-wielding staff member a *macaca*—a reputed racial slur that may have made the difference in his razor-thin loss—he seems, in retrospect, almost pitiable, like the first proud, doomed lion ever to stare down a hunter with a rifle.

IT'S A SPOTLIGHT. When TV comic Stephen Colbert addressed the 2006 White House correspondents' dinner, his searingly sarcastic "defense" of the President drew nervous laughter and awkward silence. Journalists in the room said he bombed. And that verdict might have been final, had the performance not been ripped from C-SPAN and uploaded to YouTube. To online fans familiar with *The Colbert Report* and *The Daily Show*, the pained reception was part of the act. And to this vast audience, it killed. The ensuing debate (Was he funny? Was he rude? Was the press corps out of touch?) kept his critique in the news for days.

If YouTube provides distribution, the YouTube community's value-add is attention, finding significance in moments and creations that media gatekeepers shrug off. In 2005, the now defunct WB network rejected *Nobody's Watching*, a self-referential sitcom about the making of a sitcom (too inside, too confusing, probably too smart). This year the pilot was leaked to YouTube, drawing hundreds of thousands of viewers who raved about it. It was promptly bought by NBC. In Washington or Hollywood, the days when you could expect your bad decisions to disappear into the mists of time are disappearing. Somebody's watching.

ALL THE NEWS FIT TO TUBE

A buss from Bush, spoofed online, earned Lieberman a kiss-off from primary voters



This camera phone footage spurred an FBI probe into L.A. police-brutality charges

G.I.s in Iraq posted combat footage from a war zone often too dangerous for the press

IT'S A MICROSCOPE. Web video proved the perfect medium for watching world news in extreme close-up, through video diaries from Iraq, Israel and Lebanon. Even with major news stories, TV news is constrained by budget and time concerns. Not so YouTubeland: 30 viewers or 30 million, it stays on the air, and the only limit is the enthusiasm of the uploader. So while mainstream media offered the sweeping panorama, video diaries took us where TV couldn't or wouldn't—running into air-raid shelters in the Israel-Hizballah war, crouching behind an armored vehicle with a soldier in Samarra, bullets dinging into metal off camera.

Most of the videos are poorly lit and badly composed. And they convey the confusion of war far better than expensive, competent TV. Journalists are trained to make sense, to frame stories and order facts, smoothing over random happenings and odd twists. In Web video, war is not a playing out of political-historical forces. It's Marine engineers sloshing down an improvised waterslide in a MySpace video. It's a soldier kicking back with an "Iraqi freedom cigar." In a terrifying, seven-minute YouTube clip, it's riding in the cab with a civilian driver as his truck takes fire and breaks down. "Come help me out!" he shouts to his military escort as the camera dives under the dashboard with him. "I'm going home when this s___'s done. When this s___'s done I'm f_____ out of here!" On YouTube, war is also, appropriately, unbleeped.

IT'S A SOAPBOX. Senator Allen's videographer, S.R. Sidarth, wasn't a disinterested observer. He worked for Allen's opponent, Jim Webb, whose campaign posted the video and used YouTube to fan the controversy expertly (and cheaply). YouTubers discovered the site's political power, from pundits to satirists making "mashups" (intercutting, say, a Dick Cheney speech with lines from *Scarface*).

Creative Response Concepts, the political-consultant group that gave us Swift Boat Veterans for Truth, produced online video against a Missouri stem-cell-research amendment this fall; next month it's opening a YouTube division. "It's basically the 21st century equivalent of direct mail," says CRC president Greg Mueller. The most effective YouTube spot in the Missouri election, however, was a TV ad with Michael J. Fox, which became an online sensation when Rush Limbaugh mocked Fox (who has tremors from Parkinson's disease) on his radio show. The ad got more than 2 million views and turned a state race into a national controversy. Does this mean that YouTube decided the midterm elections? There's no way of proving that. But given that control of the Senate turned on a few thousand votes in a few states, it's hardly far-fetched.

Perhaps more important in the long run is that the Fox ad was a bigger hit as a viral video than as a TV spot. YouTube had arrived, as a media outlet and as a social force—a place where ideas and images can spread instantly, cheaply, democratically and anarchically. Does YouTube aspire to become TV? These days TV should be so lucky as to become YouTube. ***—With reporting by Karen Tumulty/Washington***

PERSON OF THE YEAR

THE YOUTUBE GURUS

How a couple

Chad Hurley, Steve Chen and hundreds of the videos that helped turn YouTube into a sensation

of regular guys built a company that changed the way we see ourselves

PHOTOGRAPH FOR TIME BY MICHAEL GRECCO

LET'S SAY YOU'RE IN YOUR 20S and you start your first Internet company. Let's say 21 months later you sell it for $1.65 billion. What happens next?

At first, not much. Some of the money is tied up in escrow, and the traditions of modesty in Silicon Valley require a period of restraint before you spend in the big, life-changing way that your wealth will permit.

Still, the world wants to talk to you. Japanese television, Argentine newspapers, a bunch of French journalists and what seems like every news outlet in the U.S. Friends you haven't heard from in a long time send e-mails. *Hey, how's it going? Long time no see! BTW I have this great business idea...*

And so even though you've just left a photo shoot with an imperious, name-dropping L.A. photographer and ride to the airport in a jet-black Escalade, when you arrive at LAX, you have to stand in the United Economy line because you're still flying coach. Having removed your shoes to get through security—an indignity you'll never again endure if one day you spend an inconsequential few million on a jet—you walk past a newsstand to see your company on the cover of *Wired* and *GQ*.

"Oh, and have you seen FORTUNE?... Yeah, we're in there too."

And there they are: Steve Chen, 28, and Chad Hurley, 29, two of the three founders of YouTube (the other, Jawed Karim, went to grad school last year), a couple of boy-men looking out from a magazine and up at themselves in real life. Then they board the plane, Steve way in the back and Chad closer to the front after paying an extra $24 for an "Economy Plus" seat.

Such is life these days for Chad and Steve—and because they are still young enough to get the occasional pimple, I don't mind calling them Chad and Steve. They are premoguls, near magnates. They foreshadow but don't quite yet embody the wealth and power that accompany their role as the new demiurges of the online world. At a *GQ* party in West Hollywood, Calif., a few weeks ago, Al Gore tapped Steve on the shoulder outside the bathroom to congratulate him on the success of YouTube. Chad chatted with Leonardo DiCaprio, handsome and taller than you think and ashing his cigarette on the floor. But at the end of the night, the YouTube boys were hanging with the B crowd, Steve eating a burger (despite a disapproving glare from his girlfriend Julie) and Chad drinking until 2:30 a.m. with a guy who was in the *Jackass* movies—not even the main guy. Guys, you gotta know when to leave the party. *(When Leo does.)*

But of course the party is just starting for Chad and Steve, whose omnium-gatherum of online videos has captivated the Web for the past year, at least since a *Saturday Night Live* digital short called *Lazy Sunday* was forwarded millions of times last December, increasing visits to *youtube.com* 83%. (If you don't know *Lazy Sunday*, don't tell anyone, particularly anyone under 30. Just quietly YouTube it now.)

YouTube became a phenomenon in 2006 for many reasons, but one in particular: it was both easy and edgy, a rare combination. You can watch videos on the site without downloading any software or even registering. YouTube is to video browsing what a Wal-Mart Supercenter is to shopping: everything is there, and all you have to

MICHAEL GRECCO FOR TIME

do is walk in the door. Want to see Mikhail Baryshnikov performing in *Giselle* in 1977? A user named "goldenidol" uploaded a clip in August. Want to see a sure-to-make-you-queasy video of a girl snorting a strand of cooked spaghetti and then choking it out her mouth? You're in luck: "asemoknyo" put that clip on YouTube last month. All it costs is a few moments away from whatever you're supposed to be doing on your computer—and who doesn't have 30 sec. to watch that priceless clip of Faith Hill mouthing "WHAT?" when she lost a Country Music Association Award this year? (That video has been viewed at least 6 million times.)

YouTube is a new kind of medium, but it's still mass. Your grandmother could use it (a search for "grandmother" on YouTube yields more than 1,800 videos). But because the site doesn't prescreen uploads—which is a lot cheaper for Chad and Steve than hiring a bunch of editors to police millions of users—it ends up hosting a lot of out-there stuff as well: obscure bands, tear-jerking video diaries, "dead dog tricks" (don't ask), a "German toilet" (*please* don't ask)... The unmediated free-for-all encouraged the valuable notion that the site was grass-roots, community-run and—to use an overworked term—"viral." These are partial fictions, of course. YouTube controls the "Featured Videos" on its home page, which can dramatically popularize a posting that otherwise might fade. Also, the video in the top-right section of the home page is an advertisement, even though it doesn't always look like one. There's no porn on the site—overtly sexual material is flagged by users and removed by YouTube, usually very quickly. But there is an endless supply of kinda weird, kinda cool, kinda inspiring stuff there, which means you can waste hours on Chad and Steve's site.

That, in turn, means advertisers want to be on YouTube, which is why Google paid so much for it. If even, say, 10% of the $54 billion spent on TV advertising annually migrates to video sites like YouTube in the next few years, we will pity Chad and Steve for selling for a mere $1.65 billion. But for now, with YouTube still unproven—it has never made much money, and it could be crushed by lawsuits from content creators whose material shows up on the site without permission—the blockbuster acquisition price carries a whiff of the late-'90s Silicon Valley gold rush. It now falls to Chad, the CEO, and Steve, who runs the tech side, to prove that what they created with Karim will not become the next *broadcast.com*, the video provider Yahoo! bought for $5.7 billion in 1999—and which now doesn't exist.

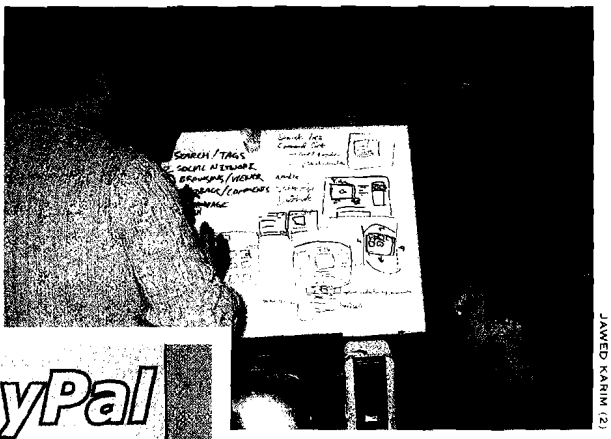
Turning YouTube from a sensational rumpus to a profitable corporation will require Chad and Steve to thread the company through legal disputes, hire at least 100% more employees than they have now, negotiate with the biggest ad and media companies in the world, maintain their unique identity without getting swallowed up by Google, please shareholders, manage p.r. and flawlessly execute a thousand other tasks that far more experienced executives have flubbed. All while Chad has to make time for his wife and two small children, Steve needs to buy a car to replace his crappy Jeep Wrangler, and the broadband in the YouTube office is so slow, it takes forever to watch their own site. Can a couple of kids who grew up nowhere near Silicon Valley handle all this?

CHAD MEREDITH HURLEY has the lanky and languorous carriage of a teenager who just rolled out of bed. He wears a stubble beard over a complexion that doesn't see enough sun, and he has a habit of pushing his chin-length hair back from his forehead so that by the end of the day it's a bit oily and Gordon Gekko–ish.

Raised in the southeastern Pennsylvania town of Birdsboro, Chad is the middle child of Donald, a financial consultant, and JoAnn, a schoolteacher. He was an arty kid, always watercoloring and sculpting, which is not to say he ran with the artsy crowd. There is nothing affected or capering about Chad—his temperature runs so low he comes off at first as a dullard—and it's easy to imagine him as a slightly introverted, earnest boy trying to sell artwork (not lemonade) from his front lawn, as he did in an unsuccessful venture that taught him the difference between art and commerce.

Chad was unusual in that his artistic proclivities coincided with an interest in business and technology. In ninth grade, he built an amplifier that won third place in a national electronics competition. By the time he was in college, he would hole up for hours online, doing those things boys do these days—studying Web design, playing games, experimenting with animation. He did not come equipped with a sense of entitlement or snobbery; his brother Brent, 27, told me that to earn money during one summer in college, Chad joined a pyramid-marketing scheme for knife sets. "He would come over to our friends' houses and cut through a soda can or something," says Brent. "One of our family friends, they joke now, 'Hey, you sold us these knives and look at you now.' "

If it's true that people make their own luck, Chad made a lot of it. In 1999, he was finishing up at Indiana University of Pennsylvania, where he had majored in computer science before switching to graphic design and printmaking. ("Computer science, that was too technical, too mechanical for Chad," says his father Don. "He wanted to be on the creative side." Chad spent much of his time running for the cross-country team, and he was in top shape at the time. The not insubstantial paunch he has added since then is a source of some consternation.) Around graduation, Chad read an article about a new company called PayPal, which back then was



JAWED KARIM (2)

MICHAEL GRECCO FOR TIME

Chad, Steve and Jawed worked together at PayPal, whose logo Chad designed. Above, the three map out early YouTube concepts in Chad's garage

trying to enable PDA users to beam money to each other. Chad sent PayPal his résumé, and on a Wednesday evening he came downstairs to announce he had a job interview on Friday. The company flew him to California and asked him to show his skills by designing a company logo (it's still the PayPal logo to this day). That Sunday, PayPal's CEO offered Chad a job as the company's first designer. He slept on a friend's floor for a few weeks, scrounging money for pizza before he got his first paycheck.

It was a propitious move; Chad had joined a firm that would soon abandon the handheld-payment concept in favor of something far more lucrative: securing online transactions. In 2002 eBay bought PayPal for $1.54 billion, and as an early employee, Chad walked away with enough to buy a few luxuries—including his Tag Heuer watch—and plenty of seed money for a future venture. "Either he was incredibly brilliant and he saw the opportunity, or he was really lucky—I don't know," says Ryan Donahue, who was PayPal's second designer and roomed with Chad for a time. "But to hit gold with your first job out of college is pretty rare. And then for his first company to be YouTube, he's gotta be a smart guy."

Chad was also lucky to meet his future wife, Kathy Clark, at a party in 2000. Clark shared his interest in technology and in starting a family. She also turned out to be the daughter of James Clark, the legendary Silicon Valley entrepreneur who founded or co-founded three billion-dollar-plus companies: Silicon Graphics, Netscape and Healtheon. His daughter, 36, is an intensely private person—she was reticent when I visited the Clark-Hurley home in Menlo Park, Calif., for a brief meal of takeout burritos in their trophy kitchen (Wolf range, lovely). She asked that I not reveal the names of the kids. Kathy and Chad have never before publicly discussed her father's identity. Their reluctance is understandable: Jim Clark is one of the valley's most revered figures, and because he runs a media-sharing website—Shutterfly, founded in 1999—it would be tempting to think he was the real force behind the video-sharing site his son-in-law was starting. But Chad says Clark has had only a tiny role in YouTube, merely offering the boys advice in 2005, when the start-up was seeking its initial round of funding. "Basically I have never wanted to mix money and family, so we haven't talked much about it," Chad told me.

Chad's greatest stroke of luck at PayPal was meeting Steve Chen and Jawed Karim, two PayPal engineers with whom he would occasionally bat around ideas for start-ups. Karim, 27, enrolled at Stanford last year to pursue a master's in computer science, and today there's some tension between him and the other founders, who have become famous while he toils in a small, modestly furnished dorm room. Although Karim is named on YouTube's site as a co-founder, Chad and Steve have promoted a highly simplified history of the company's founding that largely excludes him. In the stripped-down version—repeated in dozens of news accounts—Chad and Steve got the idea in the winter of 2005, after they had trouble sharing videos online that had been shot at a dinner party at Steve's San Francisco apartment. Karim says the dinner party never happened and that the seed idea of video sharing was his—although he is quick to say its realization in YouTube required "the equal efforts of all three of us."

Chad and Steve both say that the party did occur but that Karim wasn't there. "Chad and I are pretty modest, and Jawed has tried to seize every opportunity to take credit," Steve told me. But he also acknowledged that the notion that YouTube was founded after a dinner "was probably very strengthened by marketing ideas around creating a story that was very digestible."

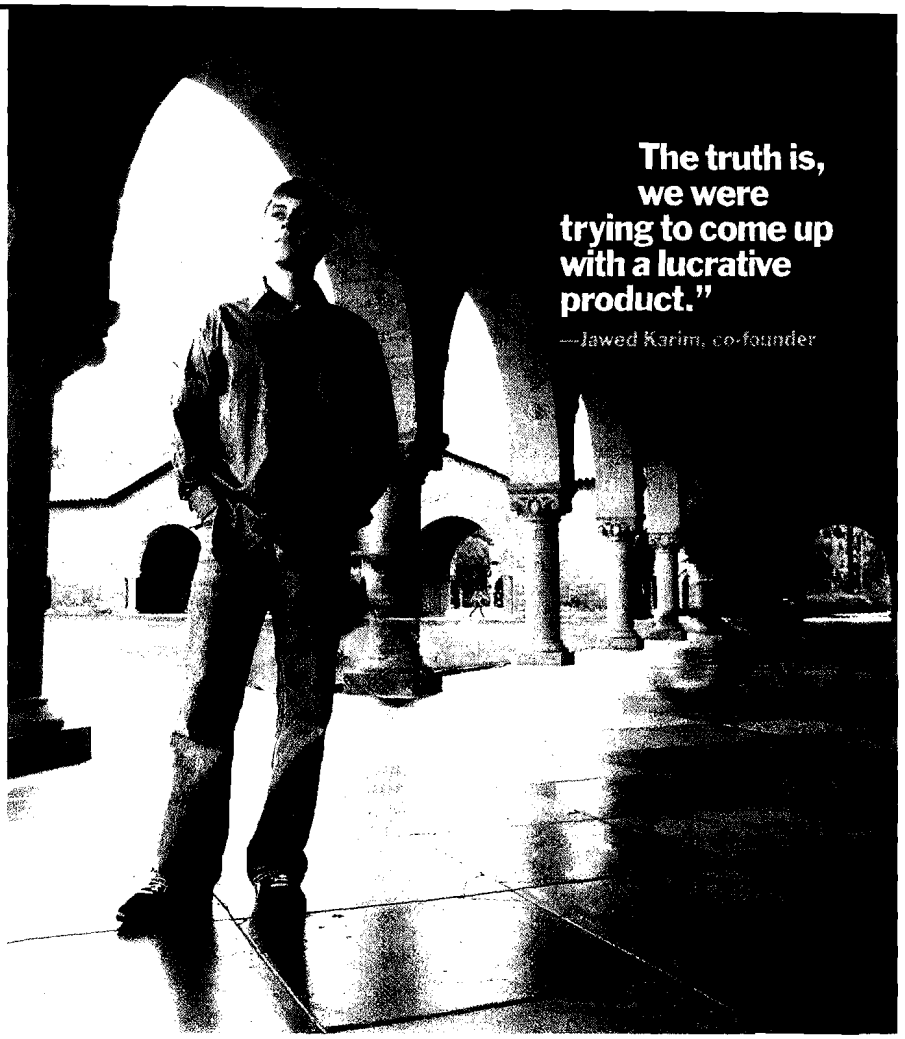
No company, of course, is ever founded in a single moment, and YouTube evolved over several months. Chad and Steve agree that Karim deserves credit for the early idea that became, in Steve's words, "the original goal that we were working toward in the very beginning": a video version of HOTorNOT.com. HOTorNOT is a dating site that encourages you to rate, on a scale of 1 to 10, the attractiveness of potential mates. It's a brutal, singles-bar version of MySpace, but Karim says it was a pioneer: "I was incredibly impressed with HOTorNOT, because it was the first time that someone had designed a website where anyone could upload content that everyone else could view. That was a new concept because up until that point, it was always the people who owned the website who would provide the content."

The idea of a video version of HOTorNOT lasted only a couple of months. "It was too narrow," says Chad. He notes that another early idea was to help people share videos for online auctions. But as the site went live in the spring of 2005, the founders realized that people were posting whatever videos they wanted. Many kids were linking to YouTube from their MySpace pages, and YouTube's growth piggybacked on MySpace's. (MySpace remains YouTube's largest single source of U.S. traffic, according to Hitwise.) "In the end, we just sat back," says Chad—and the free-for-all began. Within months—even before *Lazy Sunday*—investors such as Time Warner and Sequoia Capital, a Menlo Park investment firm, began to approach YouTube about buying in. Big advertisers started paying attention in October 2005, when a cool Nike ad-that-doesn't-look-like-an-ad of the Brazilian soccer player Ronaldinho went viral in a big way on YouTube. Sequoia—which has helped finance Apple, Google and other valley greats—ended up providing about $8.5 million in 2005—just in time for Steve to avoid having to increase his credit-card limit yet again to pay for various tech expenses.

YOUTUBE BY THE NUMBERS

Users upload 65,000 new videos to the site every day. A year ago, they watched 10 million videos a day; now they watch 100 million

STEVE SHIH CHEN has always been something of a risk taker. He left the University of Illinois at Urbana-Champaign a semester and a half early to work for PayPal. His family was wary: "We told him it was risky; he just had a few months left" in college, says his brother Ricky, 26. "But he was determined to give it a shot." Steve was drawn to PayPal partly because several U. of I. alums worked there, including PayPal co-founder Max Levchin, who in turn was eager to hire Steve because of his educational background. Steve had attended not only U. of I.—which has a well-respected computer-science program—but also the Illinois



DOUGLAS ADESKO FOR TIME

Karim, 27, is now a student at Stanford. He was friends with Chad and Steve at PayPal, but today his relationship with the other co-founders is somewhat strained

Mathematics and Science Academy (IMSA), a state-funded boarding school. "IMSA plus U. of I. is generally a very winning formula," says Levchin, who says the combination produces "hard-core smart, hardworking, nonspoiled" young engineers who are perfect for start-ups. "The kind of people that IMSA attracts are the kind of people very prone to choose their own path," he says. They also grow up quickly, since IMSA feels more like a college than a high school. It's coed and highly competitive, the schoolwork is college level, and kids spend every possible second on the Internet.

Which isn't to say Steve is a geek—at least not an irretrievable geek. Chad gets more attention for his laid-back cool look, but Steve is actually more fun to hang out with, particularly since he started drinking a year and a half ago (right around the time YouTube was founded; he jokingly wonders if there's a connection). Steve seems to wear the responsibilities of the company more lightly than Chad, and he has absorbed less of the heavy p.r. coaching. Steve, for instance, is willing to speculate about what his wealth might mean for him: "It's funny, you know, Chad and I will probably, are definitely at YouTube for the next five years. But you do start wondering, What's next? Now that you have some cash, and it's like, Well, if I could live in any city, where would I live?"

And?

"New York, in spite of the weather, is a cool place." For now, Steve lives in the San Francisco apartment he bought a bit rashly in 2005, when he had just left PayPal and YouTube was in its infancy.

Steve was born in Taipei and has his own interesting relationship with luck. When he was a little kid, maybe 6, his mother took him to see a fortune teller who told him he would never be rich. "And that's kind of stayed with me ever since," he told me. The experience left him with a sense of dread that he takes half-seriously. "We haven't actually seen any of the money [from the Google deal] yet," he says with a laugh, "and I keep thinking there will be some legal complication, or it will fall through somehow."

But things always seem to work out for Steve, who carries an aura of mischief with him like a cloud of cigarette smoke. He drinks cappuccino well into the night and doesn't get to work until noon approaches. Levchin says that when Steve was an engineer at PayPal, he quickly established himself as the guy who could find the "shortest, cleverest path instead of hammering your head against the wall ... He'd be like, 'Yeah, I can get this feature done fast.' And the QA [quality assurance] team would be like, 'Oh, man, Chen wrote this. *Great.* I'm going to be QAing this for a while.' Because he would definitely take short cuts. But most people wouldn't really notice, and the product would be out faster."

As YouTube developed, Chad and Steve's complementary skills began to mesh. After Chad left PayPal in 2003, it seemed possible he would do something more artistic than be a CEO; he designed messenger bags, and he did a bit of work on a film Levchin helped fund, *Thank You for Smoking*. "He is sort of an anomaly," says Donahue, his former roommate and the founder of HourTown.com. "Because if you look at the successful start-up stories, the formulaic founders' team is usually an engineer and a business person, or two engineers. It's rarely a designer or a truly creative person." But YouTube's success owes partly to its retro name, simple logo and alternative feel, all of which Chad contributed while Steve was making sure the videos played quickly and easily.

A mentor had also arrived with the Sequoia financing: Pierre Lamond, 76. In terms of Silicon Valley stature, Lamond approaches Chad's father-in-law Jim Clark. A founder of National Semiconductor, Lamond started at Sequoia in 1981. He monitors his investments closely, and he enjoyed receiving daily e-mails from Chad and Steve (many sent late at night) on various site metrics. He was pleasantly surprised to discover that Chad and Steve were great listeners—a rare quality in the genius culture of the valley—and that they spent money very carefully. Whenever site growth would plateau, Lamond would call them and say, " 'What happened?' And they would tell me, 'We're running out of storage capacity.' " Lamond sometimes had to push them to buy more.

Early on, Chad and Steve made a crucial good decision: despite pressure from advertisers, they would not force users to sit through ads before videos played. Pre-roll ads would have

helped their bottom line in the struggling months, but the site would never have gained its mythological community-driven status. It would have seemed simply like another Big Media site.

The question is, How do they preserve the site's underground image now that YouTube is merely a bijou in the Google empire? As it happens, Google executives are powerfully aware of this problem, and they are sending outward signals that YouTube will remain independent. Google recently sent a team of facilities people to the YouTube office outside San Francisco to ask how the YouTubers want the place decorated (YouTube moved to the old Gap offices in San Bruno before the acquisition, and they haven't had time to fix up the space). "The direction we were given," Google's facilities manager, Ninette Wong, told Chad in a meeting, "was to really get information from you, Chad—you, the man!—and to understand how to integrate the YouTube brand into the work space ... It's really to kind of keep Google separate from YouTube." With the old start-up frugality still in mind, Chad said that his coders don't need more space to work—"They don't complain"—and that greenery is a low priority because "I hear it's expensive to maintain the plants at Google."

"I hear it's expensive to maintain the plants at Google."—Chad Hurley, YouTube CEO

This guitar—signed by members of the four bands that won a YouTube contest last month—sits in a break room at YouTube's San Bruno, Calif., office

Google will appreciate his thrifty approach, but it's unlikely that the company knows the extent of YouTube's current independence. In a recent YouTube management meeting I sat in on, Gideon Yu, late of Yahoo! and now CFO at YouTube, told Chad and Steve, "The finance team [at Google] has been pushing me really hard on budgeting, your favorite topic. So what I'm telling them and what I'm telling us are"—he paused—"different."

A nervous laugh shot through the room, but Yu pressed on: "What I'm telling them is that there's no way we're going to get them any budgetary numbers—that it's just impossible because we have no idea what the integration looks like, blah, blah, blah. And they're buying it, a little bit. But I still think that the 'us' team, here, should put together some kind of rudimentary kind of plan ... even if we don't share that upward."

DOUGLAS ADESKO FOR TIME

To be sure, Google will get some control for its $1.65 billion. YouTube's managers must now report to Chad or Steve and a corresponding Google exec. That prompted Suzie Reider, chief marketing officer, to ask the boys whether she now has two bosses. Without skipping a beat, Steve replied, "You only have to listen half the time." Playful as always, he added that he didn't think he was going to use a Google-supplied BlackBerry that would be fitted with Google's mail and calendar system.

The biggest threat to YouTube remains potential copyright lawsuits from content providers who could claim that the site—like Napster before it—is enabling thieves. In a recent report, Google acknowledged that "adverse results in these lawsuits may include awards of substantial monetary damages." Mark Cuban, the billionaire co-founder of Broadcast.com, has said publicly for months that the potential for legal trouble makes YouTube a bad investment. YouTube has responded by publicizing agreements it has made with media companies such as NBC Universal Television to legally show video clips from, say, *The Office*. Still, YouTube says federal law requires only that it remove videos when copyright holders complain—not to pre-emptively monitor the site for infringements, which would destroy its spontaneity. If kids can't play sad pop songs in the background of their video blogs, why would they blog at all?

In an e-mail, Cuban pointed out a contradiction in YouTube's position: "They are spending a ton of money to license content. Which makes me curious. Why license if all that content is viable under [federal law]? And when does the licensing ever end—won't everyone want [to get] paid? Even the personal videos of cats?"

Eric Schmidt, Google's CEO, told me his company had hired an outside firm to help it analyze YouTube's legal risks. "And we concluded that Mark Cuban's arguments were false. We read them, by the way. We just think he's false. Copyright law, the safe-harbor provisions—it works, as long as we do a good job of takedown"—quickly removing videos whenever copyright holders ask.

It's hard to imagine Chad and Steve sitting through endless meetings on safe-harbor laws. They're too young, too creative and—in Steve's case, at least—too peripatetic. They usually demur on questions of what they will do next, blandly stating their hopes to "improve the product," as Chad puts it. But Levchin, their former boss at PayPal, says, "The essential crisis is coming. They better get ready. And the essential crisis for an entrepreneur is, What is this all about? Did I just make the most money in my life ever? For what purpose? And ... am I going to start setting up my family office and manage my investments, or am I going to jump off another roof and hope there's a parachute?"

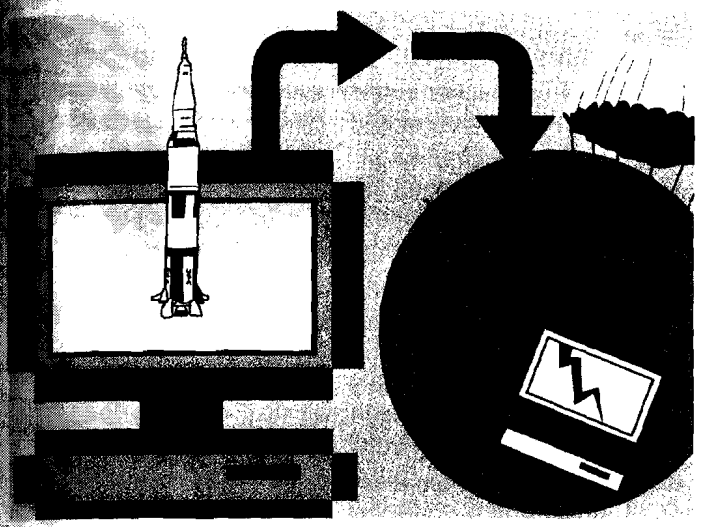
Which is a very old question indeed, one all newly wealthy people face when the market rewards them. Chad and Steve don't yet have an answer. They may have built a website that changed the online world in 2006, but they are still learning when to leave the party. ■

ILLUSTRATION FOR TIME BY MARK DANIELSON

WEB BOOM 2.0

Dotcoms are hot again. But this bubble is different from the last one. Here's how

By Josh Quittner



DOUGLAS ADESKO FOR TIME

TECHNOLOGY, SAN FRANCISCO BAY AREA OLD-timers tell me, blooms in four-year cycles. When I first moved here in 2002 to edit a biz-tech magazine, that was still open to debate. The dotcom bubble had burst, and 9/11 had squelched whatever was left of the old irrational exuberance. You didn't have to look at a balance sheet to see that the gold rush had up and gone. Silicon Valley was lined with tattered FOR LEASE signs, traffic flowed smoothly on Highway 101, and you could eat virtually anywhere without a reservation. Although lots of people were out of work, the ex-dotcommies I met were calmly unemployed, acting more like kids waiting for the next pickup softball game than anxious, self-doubting adults.

That should have been the tip-off. Now, four years later, most of my neighbors are employed—this time, at thriving Web 2.0 start-ups. Rush-hour traffic is getting worse, and you need a dinner reservation everywhere but the In-N-Out Burger (and there the lines are pretty long). The Bay Area is a relentlessly optimistic place, but even in this climate, it feels like springtime for business once more. And that naturally prompts the technorati out here to ask, Are we entering another bubble?

The way I see it, the answer is a resounding "no, but ..." The Web is taking off again, but not in the same way. Here are five things that make this boom different from the last:

1. PAIN. Most of us probably won't get hurt this time. Then again, most of us won't get rich either. The dotcom run-up was a public bubble, funded by Wall Street, and this is a private one, financed by venture capital. Today's venture-capital investments, especially in Web 2.0 companies, tend to be nanopotatoes compared with their mega dotcom-era investments. That's partly what made the dotcom bubble so wrenching. Through initial public offerings, it fleeced a credulous public, whose money propped up companies that should never have been in business. Remember when day trading, not baseball, was the great American pastime? I doubt most of you can name three IPOs from the past five years. That's because the most common business model now is "build to flip"—start a small company and quickly sell it to the highest bidder. Ideally, the buyer is Google, Microsoft, Yahoo! or AOL, the sugar daddies of Web 2.0.

2. PROFIT. Start-ups want to be profitable, fast. Too many first-generation dotcoms thought they were Amazon's Jeff Bezos (TIME's 1999 Person of the Year), who, in the early days, famously used to deflect questions about profitability. (It took eight years after the website was launched to turn a profit.) But he had a real business plan, unlike too many IPO-fueled dotcom-era companies, which too often had neither users nor a path to profitability. Nowadays Web 2.0 companies want to be profitable—or at least show that they have huge numbers of users—ASAP. Why? Because otherwise none of the sugar daddies will buy them.

3. BILL GATES. Who's he? This time it's mostly about Google. Some pundits go even further and assert that the whole Web 2.0 phenomenon is entirely dependent on Google. Dave Winer, who helped popularize blogging, podcasting and RSS, argues (on his blog) that most successful Web 2.0 start-ups are little more than "after markets" for Google, meaning that without Google, there would be less opportunity to sell their content. These new companies thrive, he writes, by "acting as sales reps for Google ads."

4. FOOD. This time there's no such thing as a free lunch. "I'll know it's a bubble when I can eat for free," says my pal Om Malik. Malik's a blogger and BUSINESS 2.0 columnist who has been covering Web 2.0 since its inception. Back then, he said, he could go three months without buying dinner—San Francisco was one big movable feast, with a buffet of dotcom parties every night. Now he gets just two or three invites a week.

5. BURN RATE. Web 2.0 companies don't live large; they live small. Under the old model, start-ups took a ton of IPO money, then quickly burned through it by hiring too many people and supplying them with Foosball tables. Web 2.0 start-ups are monastic by comparison—and the smartest of them get you, the user, to do all the work. Malik's commercial venture, a tech blog called GigaOm, has only four paid employees and no office. Malik works out of his one-bedroom apartment. When he needs to see his customers, he meets them at the nearest Starbucks.

Last time, everyone knew we were living in a bubble, but few got out before it was too late. This time, writes Winer, it will be easy to tell when to head for the exits: "Google stock will crash. That's how we'll know." Which, according to the four-year rule, should happen any day now. ■

Quittner, a former TIME *editor, is the editor of* BUSINESS 2.0

MY SO-CALLED SECOND LIFE

I stepped into this virtual world and found a lot of sex—and a guide named Cristal **By Joel Stein**

I THOUGHT I'D WANT TO HAVE LOTS OF SEX. Meaningless, multipartnered, degrading sex. After all, if Second Life is a virtual community in which you can look however you want, do whatever you want and use the fake name you want, then I could make all my fantasies come true. And as I quickly learned, having sex is exactly what many of the people on the site spend their time doing. Occasionally, it seemed, with characters that look like giant fluffy squirrels—which is wonderful, because there is nothing like the warm flush of superiority you feel when discovering a fetish you don't have.

It is not entirely surprising that Second Life is a booming enterprise. There were more than 800,000 people in the past 60 days who spent time chatting in cartoon locations that were built not by the company but by enterprising users.

JOEL'S ADVENTURE

I'm confused at the Welcome Area. Cristal Beese offers help

As in real life, you have to wait while your date changes outfits

She led, I followed. Cristal showed me how to dance salsa

At the hot tub, I found a lot of buttons to take

The growth of Second Life is particularly impressive considering that the program takes forever to download, requires a computer with a graphics card for gaming, sucks up hours just to design your character and—this is the genius part—has created the perfect capitalist system in which you pay for fake stuff (clothing, housing, hookers) with real money. People make thousands of U.S. dollars selling designs for cars or flipping virtual property. Many companies, seeing an opportunity for marketing and sales, have created virtual branches on Second Life: American Apparel has a clothing store, Adidas hawks shoes, Starwood previewed a new line of hotels, Reuters has an embedded journalist, Jay-Z played a concert and the Sundance Channel is setting up a virtual screening room. Apparently, people want to cram their second lives full of the same stuff they have in their first.

But Second Life is different enough (flying! teleporting! cloning!) that it functions as a therapist's couch on which you learn about yourself by safely exploring your darkest desires. Mine, I was shocked to find, do not involve sex. In fact, in my ultimate fantasy life, I do not have a penis. And since genitalia do not come without charge in Second Life, I could free myself from the gnawing distraction of a sex drive. Which meant that for the first time, I would be able to focus all my energy on a quest for power. I planned to put the Reuters guy out of business, own some kind of island where drone armies did my bidding and force people to follow laws based on my insane whims. Unfortunately, the other thing I learned about myself on Second Life, after spending half an hour learning how to walk, was that I'm too lazy to do any of those things. Or even draw my hair and eyebrows right.

After practicing walking at the Welcome Area until I could at least stumble at the level of a Malibu Mel Gibson, I was approached by Cristal Beese, who often looks for new people to help. Cristal clearly needed to upgrade her idea of a fantasy life.

After giving me a tuxedo, Cristal changed into a gown and a blond updo and teleported us to a ballroom, where we clicked on a button to dance salsa. All these graphics were impressive, but they really serve—like the stuff at any decent bar—as an excuse to talk about something. Once we typed to each other about how cool the dancing was, I learned a lot about Cristal's real life: her husband, her Peruvian background, her recent move to Holland. She called me "hun" a lot and LOL-ed at all my jokes. She seemed so smart and interesting, I felt pretty sure she was a 25-year-old guy living in his parents' basement.

We also talked about sex a lot. Having sex in Second Life just requires selecting a series of buttons, but it's the instant messaging where the action is. This can get so serious that some people have virtual boyfriends they reserve their virtual sex for—which seems tender until you realize they are doing this in virtual sex clubs. And on the computer.

While we were walking around the ballroom, I learned that Second Life is aggressively heterosexual. Male avatars would not talk to me for more than a sentence or two. In fact, when I tried to talk to a dude who looked just like the Predator, he wouldn't even say hello. This may be because I opened with "Dude, congratulations. You're the biggest dork in Second Life."

I spent the next 4½ hours with Cristal as she took me to a waterfall, a snowy Christmas scene, a shipwreck and a sex club. At some point, she offered me a free penis. Much as I didn't want to take it, it's damned hard to tell even a fake woman that you don't want the free penis she's giving you. So I thanked her. And I realized how incredibly nice she was and how—even in Second Life, where anything is possible—I wasn't really any different than I ever am.

Four days later, I went back to Second Life and found Cristal. After embarrassingly having to remind her who I was, she gave me her real name, Marita, and her Web address. It turns out, Marita is not only a woman but an awfully pretty one, who seemed to have a full life, just as she did on Second Life. It would have been a lot more exciting to know before we fake made out. But, I asked myself, would that have ruined the purity of our bodiless relationship? And also, should I have dropped $5 for a really sweet penis? ■

Marita, 33, is a hottie (married) who speaks three languages, loves dogs and lives in Holland. Her avatar, Cristal Beese, isn't all that different

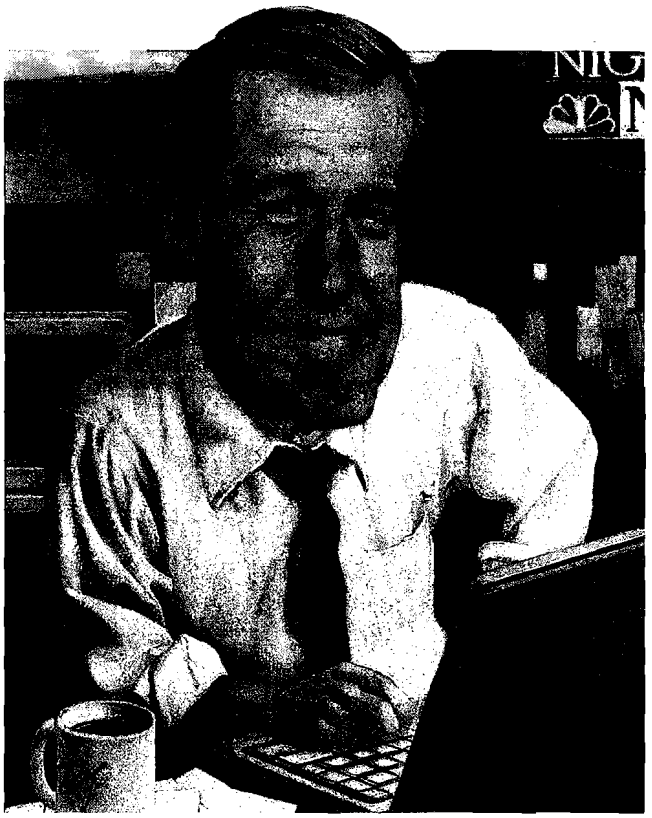
found
o take

out you have to hit your tuxedo off

It doesn't take many buttons, however, to make out

At the Welcome Area we teleported to, Cristal shows me a Christmas wonderland

Cristal's friend, Mart, starts getting jealous. Mart seemed like a total loser



ENOUGH ABOUT YOU

We've made the media more democratic, but at what cost to our democracy? By Brian Williams

WHILE THE MAINSTREAM MEDIA were having lunch, members of the audience made other plans. They scattered and are still on the move, part of a massive migration. The dynamic driving it? It's all about you. Me. And all the various forms of the First Person Singular.

Americans have decided the most important person in their lives is ... them, and our culture is now built upon that idea. It's the User-Generated Generation.

For those times when the 900 digital options awaiting us in our set-top cable box can seem limiting and claustrophobic, there's the Web. Once inside, the doors swing open to a treasure trove of video: adults juggling kittens, ill-fated dance moves at wedding receptions, political rants delivered to camera with venom and volume. All of it exists to fill a perceived need. Media executives—some still not sure what *it* is—know only that they want it. And they're willing to pay for it.

The larger dynamic at work is the celebration of self. The implied message is that if it has to do with you, or your life, it's important enough to tell someone. Publish it, record it ... but for goodness' sake, share it—get it out there so that others can enjoy it. Or not. The assumption is that an audience of strangers will be somehow interested, or at the very worst not offended.

Intimacies that were once whispered into the phone are now announced unabashedly into cell phones as loud running conversations in public places. Diaries once sealed under lock and key are now called blogs and posted daily for all those who care to make the emotional investment.

We've raised a generation of Americans on a mantra of love and the importance of self as taught by brightly colored authority figures with names like Barney and Elmo. On the theory that celebrating only the winners means excluding those who place, show or simply show up, parents-turned-coaches started awarding trophies—entire bedrooms full—to all those who compete. Today everyone gets celebrated, in part to put an end to the common cruelties of life that so many of us grew up with.

Now the obligatory confession: in an irony of life that I've not yet fully reconciled myself to, I write a daily blog full of intimate details about one of the oldest broadcasts on television. While the media landscape of my youth, with its three television networks, now seems like forced national viewing by comparison, and while I anchor a broadcast that is routinely viewed by an audience of 10 million or more, it's nothing like it used to be. We work every bit as hard as our television-news forebears did at gathering, writing and presenting the day's news but to a smaller audience, from which many have been lured away by a dazzling array of choices and the chance to make their own news.

It is now possible—even common—to go about your day in America and consume only what you wish to see and hear. There are television networks that already agree with your views, iPods that play only music you already know you like, Internet programs ready to filter out all but the news you want to hear.

The problem is that there's a lot of information out there that citizens in an informed democracy *need* to know in our complicated world with U.S. troops on the ground along two major fronts. Millions of Americans have come to regard the act of reading a daily newspaper—on *paper*—as something akin to being dragged by their parents to Colonial Williamsburg. It's a tactile visit to another time ... flat, one-dimensional, unexciting, emitting a slight whiff of decay. It doesn't refresh. It offers no choice. Hell, it doesn't even move. Worse yet: nowhere does it greet us by name. It's for *everyone*.

Does it endanger what passes for the national conversation if we're all talking at once? What if "talking" means typing on a laptop, but the audience is too distracted to pay attention? The whole notion of "media" is now much more democratic, but what will the effect be on democracy?

The danger just might be that we miss the next great book or the next great idea, or that we fail to meet the next great challenge ... because we are too busy celebrating ourselves and listening to the same tune we already know by heart. ■

Williams is anchor and managing editor of NBC Nightly News

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IT'S ALL ABOUT US

Amateurs are filling the vacuum created by everything the old media chose to ignore

By Steven Johnson

IF WEB 1.0 WAS ORGANIZED AROUND PAGES, WEB 2.0 is organized around people. And not just those special people who appear on TV screens and in Op-Ed columns. Web 2.0 is made up of ordinary people: hobbyists, diarists, armchair pundits, people adding their voice to the Web's great evolving conversation for the sheer love of it.

Amateurs, in other words. And to a certain extent, how you feel about the broader cultural implications of the Web revolves around the response this permanent amateur hour triggers in you. For some, it has power-to-the-people authenticity. For others, it signals the end of quality and professionalism, as though the history of electronic media turned out to be one long battle between Edward R. Murrow and *America's Funniest Home Videos*, and *Home Videos* won.

I happen to be a great believer in this wave, but there's no avoiding the reality that the shift from pro to am comes at some cost. There is undeniably a vast increase in the sheer quantity and accessibility of pure crap, even when measured against the dregs of the newsstand and the cable spectrum. That decreased signal-to-noise ratio means that filters—search tools, recommendation engines, RSS feeds—become increasingly important to us as a society, and so it's crucial that we have a public discussion about who designs those tools and what values are encoded in them.

If you read through the arguments and Op-Eds over the past few years about the impact of Web amateurism, you'll find that the debate keeps cycling back to two refrains: the impact of blogging on traditional journalism and the impact of Wikipedia on traditional scholarship. In both cases, a trained, institutionally accredited élite has been challenged by what the blogger Glenn Reynolds called an "army of Davids," with much triumphalism, derision and defensiveness on both sides.

This is a perfectly legitimate debate to have, since bloggers and Wikipedians are likely to do some things better than their professional equivalents and some things much worse, and we may as well figure out which is which. The problem with spending so much time hashing out these issues is that it overstates the importance of amateur journalism and encyclopedia authoring in the vast marketplace of ideas that the Web has opened up. The fact is that most user-created content on the Web is not challenging the authority of a traditional expert. It's working in a zone where there are no experts or where the users themselves are the experts.

The most obvious example of this is in the prominence of diary-style pages like those on LiveJournal or MySpace. These people aren't challenging David Brooks or George Will; they're just writing about their lives and the lives of their friends. The overwhelming majority of photographers at Flickr harbor no dream of becoming the next Annie Leibovitz. They just want to share with their extended family the pics they snapped over the holidays.

A few months ago, I helped launch a new service called outside.in that filters and organizes conversations happening online about neighborhoods around the country. Outside.in is a classic Web 2.0 company. We couldn't have built it 10 years ago because we are drawing upon the expertise of thousands of amateurs—the "placebloggers" who have emerged in the past few years to write about their neighborhoods and the issues that are most important to the people living in them. They're writing about the mugging last week, the playground that's opening up next week, the overpriced house that finally went off the market, the impact of No Child Left Behind on the local public school. There are thousands of these conversations going on every day on the Web—virtual discussions that are grounded in real places. We've tried to make it easier to find those conversations and add your voice to the mix. But without that extraordinary wave of placeblogging, we'd have nothing to work with. It would be like trying to launch Google back when there were still only a few hundred websites.

What's so interesting about those local conversations is that they involve experiences that the experts in traditional media have largely ignored—for good reason. Those experts realize that they can't compete with the real experts: the people who live in these communities and know all the issues—small and large—that shape their daily lives.

There's some irony in that lack of media coverage because the zone of experience that people care the most passionately about—beyond the intimate zone of family life—is the zone of their local community. Every successful neighborhood has always had its mavens and connectors, the true experts of the sidewalk, the playground and the backyard barbecue. But that local knowledge has been limited historically to the personal contact of word-of-mouth. Now, on the Web, it has a megaphone. ■

Johnson is the author, most recently, of The Ghost Map

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